



INDEPENDENT

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(Republic of Ireland 45p)

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SECTION

SPORT

TYSON
v MATHIS
Stumbling win
cheers Bruno

MONDAY

18 DECEMBER 1995



Move to close billion-pound tax loophole

Murdoch tactics may be outlawed

ROGER TRAPP
and MATHEW HORSMAN

Corporations that avoid paying billions of pounds in tax every year - such as Rupert Murdoch's News International - could be caught out by a new rule being considered by the Inland Revenue.

Instead of being allowed to shift money from company to company and from country to country simply to avoid paying tax, corporations would have to be able to show that the transactions had a valid business purpose.

The proposed anti-avoidance measures, similar to those already in use in countries such as Canada and Australia, come in the wake of revelations, first published in the *Independent*, of the extensive use of tax avoidance tactics by companies such as News International, Mr Murdoch's UK-based publisher of national newspapers.

News International, which owns four national titles including the *Times* and the *Sun*, has earned nearly £1bn in net profits since 1984, but has paid a net tax rate of only 12.2 per cent.

It has made extensive use of intra-company transactions, sometimes involving off-shore subsidiaries, that have had the effect of minimising, completely legally, its tax bill.

The Revenue is looking at requiring UK-domiciled companies to demonstrate that transactions have been made for "business purposes" rather than simply to avoid paying tax. Other tax jurisdictions, including Canada, have succeeded in clamping down on tax avoidance through rigorous application

of the business purpose test. The fresh attack on corporate tax avoiders is contained in a little-noticed consultation document published by the Inland Revenue shortly before last month's Budget.

While the paper, for which responses are required by next March, has been generally welcomed by tax advisers as an aid to interpreting Britain's increasingly complicated tax laws, some specialists believe that the

idea of pre-transaction rulings - decisions on tax treatment given by the Revenue before transactions are undertaken - is in fact linked with general anti-avoidance measures.

The Revenue says that bringing in pre-transaction rulings would fit in with the introduction of Pay and File and Self-Assessment because they would help taxpayers comply with their obligations, encourage voluntary compliance with tax laws and make the UK more attractive as a location for international business.

But some specialists believe that general anti-avoidance measures might be less than fully effective because of the difficulty of proving the intent of the company involved.

The moves from the Revenue come amid growing signs of a more concerted clampdown on tax avoidance by the authorities.

The establishment 18 months ago of the Large Groups Office is helping different branches of the Revenue to co-ordinate their approach. But tax advisers also talk of more aggressive tactics by inspectors who are increasingly being promoted on the strength of their success in investigations.

According to the Revenue's latest annual report, the compliance unit last year recovered a total of £6.1bn - equivalent to 3.5p on the basic rate of income tax.

The Labour Party has also set up a working group looking at corporate taxation. It has promised to ensure that companies pay their fair share of tax.

But Labour will not comment directly on the example of Mr Murdoch's tax avoidance.

Alistair Darling, spokesman on City matters, has said "you must never design a tax system to get at one person. It is a matter of fundamental principle."

According to the *Independent's* investigation into News International's public accounts, the company earned £979.4m in net profits in the past 10 years, but paid only £11.74m in tax, or 1.2 per cent.

Corporation tax in the UK is set at 33 per cent of profits and most companies pay between 20 and 30 per cent.

In addition to the entirely normal use of tax losses carried forward, News International has also used intra-company lending and borrowing, as well as foreign-exchange transactions, to move profits and losses around the group.

It paid no tax on profits of £779m last year and does not expect to pay any tax for some years to come.

Poll will not halt reforms - Yeltsin



Curtain call: President Yeltsin smiles after leaving the polling booth in central Moscow where he cast his vote in yesterday's election

PHIL REEVES
Moscow

An embattled Boris Yeltsin yesterday stared down possible political humiliation by vowing to press ahead with economic reforms, no matter what voters decided in yesterday's parliamentary elections.

Predictions continued that the Communist Party had emerged with big gains but Mr Yeltsin scoffed at suggestions that a return to Communism was possible in Russia. "No, and no again", he said, as he cast his ballot at a sanatorium near Moscow, where he is recovering from a heart attack. He declared: "No circumstances would force me to abandon the course of reforms I have taken."

Despite evidence that much of the 105-million electorate is disillusioned with politics, 63 per cent appeared to have voted. By 6pm in Moscow almost half the eligible voters had braved heavy snow to cast their ballot for the State Duma, or lower house of parliament. Only in Chechnya, where fierce fighting continued, were polling booths empty.

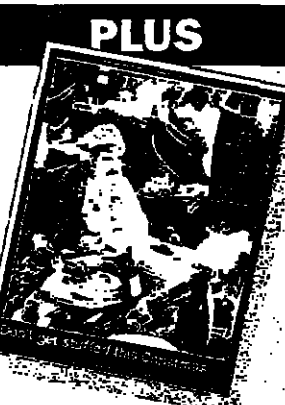
The President also gave a surprising vote of confidence to Viktor Chernomyrdin, defying speculation that the Prime Minister, whom Western governments would love to see in the Kremlin, would be fired as a scapegoat for the administration's unpopularity. Mr Yeltsin indicated he may be gearing up to dismiss others in his government, but said the new government would be headed by Mr Chernomyrdin.

Scouting victory, Gennady Zyuganov, leader of the Communist Party of the Russian Federation, used his visit to the ballot box to assure there would be no return to old-style Communism, despite his party's commitment to restricting privatisation, increasing the state's economic control and holding a referendum on the restoration of the Soviet Union.

"It is impossible to lead in the old way," he said. "On a big ship, one does not jerk the helm sharply."

But, if his party does prevail, such declarations are likely to be regarded with suspicion by Russian reformers and Western diplomats. The elections are the equivalent of a primary for next year's presidential race, if it goes ahead.

Further reports, Page 8



SECTION TWO

HEALTH
Will you be stuffed after Christmas dinner?

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How they made it... then lost it

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The best educational CD-ROMs

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See page 12 for token

PM faces new Euro-revolt

PATRICIA WYNN DAVIES
Political Correspondent

John Major is threatened with defeat tomorrow in another revolt by Euro-rebels and with the prospect of his overall Commons majority being eroded to just one.

He also faces renewed embarrassment over the actions of the Ofot regulator, Peter Davies, who was yesterday under intense pressure to resign, anger over huge pensions for the heads of privatised utilities and protests by senior Tory backbenchers over the rail sell-off.

Almost a dozen rebels, formerly "whippers" MPs and those from fishing constituencies, could withdraw support in a vote tomorrow which comes ahead of expected EU-imposed cuts in British fishing quotas at a Brussels meeting on Thursday. A number of Tory MPs are expected to air other EU griev-

ances following the Madrid summit, with Euro-sceptics renewing calls for Mr Major to make an election manifesto commitment to rule out joining a single currency in the next parliament, but complaints of timidity by Euro-enthusiasts.

The divisions come amid expectations that Mr Major will make a firm pledge for a referendum in the event of a Cabinet decision in early 1998 to replace the pound with the newly-named Euro. A Labour source suggested that that party was also inching towards the position that it would not go into the next election without promising a plebiscite.

One MP who intends to rebel, David Porter, whose Waveney constituency covers Lowestoft, said he was prepared to resign the Tory whip if there were sweeping cuts in Britain's quota. That would re-



FOR THOSE IN PERIL OF THE SEA

ject - discounting the other "whippers" rebel, Sir Richard Body - to three. If the Government loses the by-election caused by the death of Staffordshire North East MP Sir David Lightbown, the official majority over all other parties would be down to one, potentially

hastening the election and depriving the Government of the chance of a give-away Budget in an improved economy.

John Redwood, the former Cabinet minister and Mr Major's July leadership challenger, drove another large hole in the Tory party's uneasy truce by launching a broadside against the pro-European Chancellor, Kenneth Clarke, for appearing to endorse plans for a single currency. Yet more cracks appeared as a seven-strong delegation of backbenchers prepared to meet Sir George Young, Secretary of State for Transport, to voice growing concerns over rail privatisation. Sir Keith Speed, the MP for Ashford, warned that the self-off could lose the Tories the election unless the private sector were required to pledge investment in desperately needed rolling stock.

Leading article, page 14

Old enemies to meet at Wembley

The draw for the 16-nation European Championship finals yesterday revived football's oldest rivalry when England were drawn to play Scotland at Wembley.

The resumption of a 107-year tradition which began in 1872 drew gasps at the ceremony in Birmingham and 15 June is writ large in fans' diaries north and south of the border.

"We always knew it was going to be exciting; but when Scotland came out, it went off like a rocket. You could feel the buzz in the room," Terry Venables, the England coach, said.

England-Scotland games were abandoned after the 1989 Glasgow match because of crowd trouble. Incidents included a riot by Scottish fans who invaded the Wembley pitch, dug up turf and broke wooden crossbars. There were

also other problems involving fans en route with many arrests in central London after Wembley visits which ended in 1988.

However, Glen Kirtan, the tournament director charged with overseeing the biggest football event in England since the 1966 World Cup, welcomed the Scots "with open arms". The Scotland manager, Craig Brown, did his best to allay fears. "I can virtually guarantee there will be no trouble from Scottish fans," he said.

The match sandwiched between the opening match against Switzerland on 8 June and tournament favourites, the Netherlands, on 18 June.

The draw's other main highlight was Germany being placed in the same group as Italy, European champions, Denmark take on Croatia, Turkey and Portugal.

IN BRIEF

BSE 'breakthrough'
Humans cannot develop mad cow disease by eating infected beef, according to ground-breaking research by a British scientist. Page 3

Railway cash cut
Subsidy to the railways is being cut by a third in 15 months' time, according to analysis of transport spending plans. Page 6

Bosnia mission frozen
Snow and fog closed Tuzla's airfield for the fourth day yesterday, preventing the first American combat troops from landing. Page 9

Vicar so sorry for casting doubt on Santa

STEVE BOGGAN

A vicar who reduced children in his congregation to tears by telling them Father Christmas did not exist apologised yesterday, describing his unseasonal revelation as "ill-judged".

Canon Brian Andrews became the Scrooge of Abbots Langley in Hertfordshire last week when he told children at his family service that neither Santa Claus nor the Tooth Fairy was real.

Yesterday he admitted to being a turkey - but only while the

children were safely tucked away at Sunday school.

After delivering his bombshell at St Lawrence's Church, during which he told children aged two to nine that it was their parents who left Christmas presents under the tree and money under their pillows, a number of children were reported to have burst into tears.

Some parents complained, but Canon Andrews explained that he was trying to impress upon the children the Church's view that the story of Jesus was not a fairytale. The children,

who were dressed for a nativity play, were not impressed.

After arranging for the youngsters to be entertained at Sunday school, he said: "At the family service on Sunday 10 December, I told the congregation, which included children and adults, that the money under our pillows and the presents in our stockings were put there by our parents and not by the Tooth Fairy and Father Christmas. I believe this to be an ill-judged remark and I apologise unreservedly for any pain or hurt that I have caused."

About 150 adults heard Canon Andrews' apology. They were later joined by about 20 children, who unfurled a banner featuring a smiling Father Christmas.

Canon Andrews' congregation already seems to have forgiven him. "He's an excellent vicar," one said after yesterday's service.

And there was support for him from the Rt Rev Dr David Jenkins, the controversial former Bishop of Durham who, writing in today's *Independent*, agrees that the teaching of

Christianity would benefit from the separation of fairytale from reality.

"Perhaps," he says, "the troubled vicar should not have apologised but tackled the parents about their dull materialism."

Jenkins' view, page 15

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news

Watchdog could face legal action over £100m deal

STEVE BOGGAN

Peter Davis, the beleaguered National Lottery regulator, could face legal action over a disastrous deal which cost a Lloyd's insurance syndicate almost £100m.

Mr Davis, who today faces calls for his resignation, was finance director of the company which set up the deal, resulting in losses to 5,500 people, including a number of Conservative MPs and the Attorney General, Sir Nicholas Lyell.

The director general of the lottery watchdog, Oflot, will today meet Hayden Phillips, permanent secretary at the Department of National Heritage, to discuss his admissions that he accepted flight and hospitality from GTECH, the American company at the centre of bribery allegations made by Richard Branson. Last night, his position seemed increasingly untenable after Robert Sheldon, the chairman of the Commons Public Accounts Committee, said that Mr Davis's actions were unjustifiable and naive.

The potential legal action against Mr Davis may be brought by members of Lloyd's who were attached to Syndicate 210, managed by Sturge Holdings Plc, of which he was finance director and deputy chairman from 1988 to 1993.

Sources within Lloyd's say that the Sturge Names Action Group—whose members ran up losses of more than £1bn under Sturge Holdings' management—are taking legal advice on the possibility of suing Mr Davis and other board members over the deal. If the directors are found to have been negligent, the Lloyd's members may seek compensation from them.

The deal relates to the reinsurance of American risks insured by Syndicate 210 in the 1960s and 1970s. During that

period, Sturge had taken on a large number of asbestos and industrial pollution policies but, prudently, reinsured against potential losses in 1974 with two US companies, Fireman's Fund of America, based in San Francisco, and Kemper Re of Long Grove, Illinois.

In 1991, faced with costly open-ended claims, the US companies offered the Sturge syndicate \$80m (£52m) in return for the termination of the reinsurance protection policy.



Peter Davis: 'Naive' in his dealings with GTECH

The board of the managing agency (then Sturge Holdings Plc, now Ockham Holdings Plc) accepted the offer but claims for illness and property damage relating to the insured years which continued to come in, eating up the \$80m and leading to further calls on members' assets.

"That decision has resulted in a loss to members of the syndicate of \$96m," said John Rew, chairman of the Sturge Names Action Group. "It was a disastrous deal which has cost members more than they can possibly afford."

The figure of \$96m so far was given to Syndicate 210 members

at a meeting last week. Lloyd's records show that in 1991 eight sitting MPs, including Sir Nicholas Lyell, Jerry Wiggin and Tim Renton, the former arts minister, were members of 210.

Among those who could receive writs is Sturge chairman David Coleridge, a former chairman of Lloyd's. Minutes of board meetings and internal documents, details of which have been obtained by the *Independent*, showed that Mr Coleridge was the prime mover behind the deal but that Mr Davis was among the directors who approved it.

It emerged over the weekend that Mr Davis had taken flights from GTECH, a 22.5 per cent shareholder in Camelot, and stayed at the Long Island home of Carl Menges, a non-executive director of GTECH. Mr Davis insisted that his friendship with Mr Menges had no bearing on the award of the lottery contract, but Jack Cunningham, Labour spokesman on National Heritage, has called upon him to resign.

Mr Sheldon said: "This is the gambling industry and a regulator would be wise to keep a very distant relationship with these people. When you think of how careful we are regulating casinos and horseracing, Mr Davis's behaviour seems very naive to say the least."

Mr Davis declined to comment yesterday. Peter Newton, a spokesman for Sturge, said he did not believe Mr Davis was involved in negotiating the deal. He added: "If the Sturge Names have asked lawyers to examine the conduct of every member of the Sturge board, then that, at that time, would involve Peter Davis."

He conceded that Mr Davis signed a letter on the matter to members, but said that did not mean "ipse facto" that he was involved in negotiating the deal.



Guiding light: David Shimon, watched by his father, prepares to kindle a light on the menorah at their home in Stamford Hill, north London, to mark the start last night of Chanukah—the Jewish Festival of Lights. Photograph: Elaine Kennedy

Killing of headmaster triggers knife amnesty

A nationwide amnesty to allow people to hand in knives has been launched in the wake of the death of the headmaster Philip Lawrence.

All 43 police forces in England and Wales are to take part in the amnesty, which is to run from 9am this Wednesday until 20 January.

The amnesty has been arranged by chief constables and has won backing from the Home Secretary, Michael Howard.

The *Daily Mirror* has agreed to supply special bins for all police stations to collect the knives.

Anyone who dumps a weapon in the bins will not have to answer any questions from police.

The availability of knives shocked Frances Lawrence and her children.

Her husband was stabbed while trying to protect a pupil at St George's School, in Maida Vale, north-west London, from a gang of youths. She said that she and her four children were "bewildered" that such weapons were so freely available.

"Of course I am against knives and of course they should not be readily available, as other weapons should not be readily available," she said.

Last week MPs gave an unopposed first reading to a new Bill which is intended to further strengthen the laws on carrying knives in public. The new Bill would allow the police to arrest

without a warrant any people found to be carrying knives in public without a good reason.

The Bill would also increase the maximum penalty for carrying a knife in public to six months' imprisonment.

The Association of Chief Police Officers has lent its support to the proposals to tighten the law on carrying knives.

Strathclyde police searched 5,600 people in an unannounced 12-hour anti-knife blitz this weekend. They recovered 43 weapons in the operation, which ended at yesterday morning, and the same number of people face possible prosecution. However, the purge was not connected with the Lawrence case, the police said.

Sinn Fein revives shoot-to-kill row

The international commission attempting to break the arms deadlock in Northern Ireland is to be asked by Sinn Fein to examine secret reports of so-called shoot-to-kill attacks by security forces.

The US Senator George Mitchell, who is due to meet Gerry Adams, the Sinn Fein president, in Dublin tomorrow, will be urged to request that the British Government hands over confidential findings of independent police inquiries into RUC and army shootings.

Martin McGuinness, a member of Sinn Fein's ruling executive who is also to attend the

talks, told a meeting in Londonderry yesterday that the Mitchell Commission must also investigate alleged collusion between loyalists and the security forces, and the supply of guns manufactured in South Africa to Protestant paramilitaries by British intelligence.

He said: "British weapons are a central element in the conflict in Ireland. No examination of the arms issue by the international body can possibly be complete without it addressing those issues."

Mr McGuinness claimed security forces had killed almost 400 people, and loyalists up to

1,000, during the 25 years of violence in Northern Ireland.

Reports of independent police investigations into alleged shoot-to-kill incidents in the autumn of 1982 by John Stalker, the former Assistant Chief Constable of Greater Manchester, and the ex-Cambridgeshire police chief John Stevens, who probed loyalist collusion with the RUC and army, should be handed over to the commission, according to Mr McGuinness.

He said this would give the commission "a full and proper picture of the issue of weapons and their use in this conflict". The Government will resist

any attempt to widen the commission's remit to go beyond the issue of paramilitary guns. The Prime Minister, John Major, and Sir Patrick Mayhew, Secretary of State for Northern Ireland, are also standing by their demand that the IRA must begin a process of decommissioning before Sinn Fein is allowed any place at the all-party negotiating table.

Apart from the Rev Ian Paisley's Democratic Unionist Party, which is boycotting the talks, the panel has met all the main parties as well as Sir Patrick and Sir Hugh Annesley, the RUC Chief Constable.

Shepherd denies split over opt-out schools plan



Gillian Shepherd: 'Nothing ruled in or out'

FRAN ABRAMS
Education Correspondent

Gillian Shepherd, the Secretary of State for Education, has dismissed reports of a split with the Prime Minister over plans to increase the number of opted-out schools.

Churches have united against plans to allow a fast-track opt-out which could do away with parental ballots in their schools and the consultation period on the plans has been extended.

But yesterday Mrs Shepherd denied that there was any disagreement with Mr Major over the reforms, which he announced in a speech to grant-maintained school heads in September.

It had been rumoured for some time that she was less keen on the plans than Mr Major and reports at the weekend suggested that she wanted them dropped.

The Government is looking for ways to revive its flagging policy of encouraging schools to become self-governing.

In the 1994-95 school year there were just 15 opt-out ballots among 4,000 voluntary-aided church schools and in nine of those parents voted against the proposal.

Mrs Shepherd said her officials were still sifting through almost 2,000 responses to a range of options set out in a consultation paper. An announcement on the subject would be

made in the New Year, she added.

"We have made it clear from start to finish, and so has the Prime Minister, that this is a consultation exercise with nothing ruled in and nothing ruled out. Whatever the results are, we shall of course be continuing our work, also announced in September, on seeing how best to spread the advantages of opting out," she said.

But last night the Opposition claimed the plans were among a number of education policies on which the Government was in disarray. Others include plans to hand over many student loans to the banks, which were postponed last week.

David Blunkett, Labour's

Education spokesman, said the fact that 1,600 church schools had written in during the consultation must indicate that many were unhappy about it.

The Government has already had to retreat on student loans because its plans were ill-considered and ill-thought-out. Now it seems the same can be said for the proposals on fast-track opt-out for church schools. The churches aren't interested in these proposals and regard them as disruptive to their relationships with parents and their local communities," he said.

Among church leaders who opposing the plans is Canon Greenwood, director of the Southwark Diocesan Board of

Education and a member of the agency which funds grant-maintained schools. He has said removing the parental ballot would be "highly undesirable".

Six options were set out in the consultation paper, two of which would remove the parental ballot for church schools planning to opt out and would let governors decide. One would make all church schools opt out unless they specifically chose not to. The other, less radical, options would include shortening the existing process, extending local management so that schools controlled more of their budgets and removing local councils from governing bodies of church schools.



John Major: Promised fast-track opt-outs

IN BRIEF

PC and motorist die in car chase

A motorist and a policeman travelling in a marked patrol car were killed early yesterday when their vehicles collided during a police chase. The West Midlands police car was following a stolen Ford Escort in Oldbury, shortly after midnight when it collided with another car, a white Vauxhall Nova, at a road junction.

Neil Homer, from Oldbury, who was driving the Vauxhall, and Constable Robert Dallow, 41, who was in the passenger seat of the police car, were both killed. Leslie Collins, 42, the driver of the police car, was treated in hospital for minor injuries and later discharged.

Security fears

A Labour MP has demanded an urgent security review after being told that the mobile phones of several ministers have been "cloned"—using a phone's secret identity to reprogramme another phone. In the past 18 months, victims include Sir Patrick Mayhew, Secretary of State for Northern Ireland, and his deputy, Michael Ancram, according to parliamentary answers to Brian Donohoe, MP for Cunninghamham South.

Death row plea

Two London-based lawyers have been granted rare rights of audience to an American court to plead the case for a British citizen sentenced to death for a double murder. The Florida Supreme Court is to allow Geoffrey Robertson QC and Philip Sapsford QC to argue, as interested third parties, on behalf of Krishna Maharaj, 56, who has spent almost eight years on death row in the state.

Stolen cab theory

Police hunting a rapist who attacked a 23-year-old woman in the back of a London cab that he was driving, are working on a theory that the taxi may have been stolen. The attacker was described as in his thirties, 5ft 9in, of medium build with close-cropped hair and stubble-faced. He spoke with a London or Essex accent and was wearing a dark bomber jacket and jeans.

Stress in workplace

Workplace stress is a major problem in nine out of 10 organisations, leading to rising levels of absenteeism, poor productivity and low morale. However, many managers believe that stress is now an unavoidable hazard of most jobs, and they do not regard it as part of their role to help reduce the problem among their workforce, according to a survey for the Industrial Society.

Battery charge

A new battery has been designed which tells users how much life it has in it. Described as the biggest breakthrough in battery technology, the device—versions are due for launch next year—has a special tester attached to its casing and the user puts his or her fingers on two green dots and an indicator window appears to say how long the battery is likely to last.

Adie's bad break

Kate Adie, 49, the veteran BBC war correspondent, was flown back to Britain from Bosnia after breaking her ankle when she slipped on ice in Sarajevo.

Lottery jackpot

One ticketholder won this week's £8.2m National Lottery jackpot. The winning numbers were 7, 8, 23, 28, 35, 49. The bonus number was 10.

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Humans 'safe from mad cow disease'

CHARLES ARTHUR
Science Correspondent

Humans cannot develop mad cow disease by eating infected beef, according to ground-breaking research by a British scientist due to be published this week.

The experiments, carried out at a London research centre, show that the agent which causes bovine spongiform encephalopathy (BSE) does not react with a human protein

that is key to developing the disease. Without this reaction, the disease cannot progress.

The result will come as a huge relief to the beef industry, and to Government ministers and scientists who have insisted that beef is safe to eat amidst mounting public concern. In the past fortnight, sales of beef from wholesalers have slumped by 25 per cent, and more than 1,000 schools have removed beef or beef products from their menus.

However, some critics of the

Government's stance say they will not change their mind. "There's no way that you can deduce experimentally that it's safe," insists Richard Lacey, professor of microbiology at Leeds University.

The new work has been carried out by Professor John Collinge at St Mary's Hospital Medical School, and will be published formally in the science magazine *Nature* this Thursday.

The Ministry of Agriculture, Fisheries and Food already

knows about the results of the work, as it provided some of the funding for it. Ministers and some members of the independent advisory committee on BSE knew the results last week. Professor John Pattison, head of the committee, hinted at "unpublished scientific work" during a press conference last week.

Professor Collinge has consistently refused to discuss his work ahead of publication because *Nature* imposes an embargo on the authors of papers.

His experiment used genetically engineered mice which had been given the human version of a gene called "PrP", which is found in most animals. PrP is essential to the development of spongiform diseases. The infective agent in the diseases, known as a "prion", causes proteins made by the PrP gene to change shape, causing nerve cells to break apart. This leads to the "spongy" form of diseased brains.

When normal mice with the PrP gene are injected with BSE prions, they develop the disease. Separate work by a Swiss scientist, revealed last week at a London conference, has shown that mice without any PrP gene do not develop disease when injected with BSE.

But when Professor Collinge's genetically engineered mice - in which the mouse PrP gene is replaced with a human one - were injected with BSE-infected material,

they did not get the disease. This implies that BSE prions cannot affect the human PrP protein. The genetic differences between humans and cows appears to form such a high "species barrier" that BSE cannot cross it to cause the brain damage typical of BSE and its human equivalent, Creutzfeldt-Jakob Disease (CJD).

The risks posed by eating beef would therefore be tiny, because injecting infected material

into the brain - as was done in these experiments - is thousands of times more effective at causing the disease than feeding it to the animals.

Scientists contacted by the *Independent* were enthusiastic about the implications of a negative result for public health.

Colin Blakemore, the eminent Oxford neurophysiologist who two weeks ago declared that he would not eat beef, called it "terrifically reassuring".

Covent Garden on film: Fly-on-the-wall series reveals a picture of discord behind the scenery at the Royal Opera House

Opera house finds creative drama in a backstage crisis

REBECCA FOWLER

The Royal Opera House has joined the growing list of British institutions that have attempted to win the heart of the nation by opening their doors to fly-on-the-wall camera crews.

But instead of images of passionate music-making and enthused music-lovers, the documentary shows a saga of gloomy staff, cursing directors and disgruntled opera-goers caught up in various disputes.

A BBC camera crew followed the life of the Opera House for a year, through the 1993-94 season, to create the six-part series to be shown next month. Opera house officials had anticipated a celebration of its creative achievements, rather than an insight into tensions behind the lavish scenery. But Jeremy Isaacs, general director of the Opera House, said he was foolish to have expected such a film and claimed it was not a true reflection of the company.

"It was naive of me to think we would get a measured picture of our work. I don't think it is that at all," he said.

Even Isaacs's former career as a television executive did not protect him from the probing eye of the camera. He is seen in full flight angrily uttering a four-letter word, after the Arts Council resisted giving extra funding to pay for an alternative venue while the opera house is rebuilt under a £200m redevelopment plan.



On the defensive: A defiant Jeremy Isaacs

The series gives a close-up account of the trials of the Opera House, including a spending crisis on Anthony Dowell's production of *Sleeping Beauty*, called "absolutely catastrophic" by opera house chairman Sir Angus Stirling in a boardroom row with Isaacs.

Staff struggle with outdated machinery; attempts to show opera is not elitist are undermined by a shot of the Princess of Wales in the grand tier, while a working-class woman searches

for her cut-price seat in the gods. Even Peter and Bill, the barmen in the Crush bar, hate each other after three decades.

So why do prestigious institutions with troublesome public images lay themselves bare for the camera? The Opera House was anxious to justify its funding after years of allegations of elitism and profligacy in expectation of a large lottery bid - it was awarded £55m.

According to its supporters, television exposure will still benefit the Opera House. "It's a good thing when fly-on-the-wall crews lift the lid off how arts institutions work, warts and all," Graeme Kay, editor of *Opera Now* magazine said. "People will be quite surprised to find out how much dedication there is and it is providing productions that are the best in the world in terms of how much money they have to play with."

But a leading arts administrator said: "These institutions always think they are going to get something out of it that will enhance their image and then they're upset when they don't just get the straight PR puffery. If you open your doors, you've got to accept criticism."

In the last three decades British institutions that have been wooed by the cameras include the police, the foreign office, the monarchy, a local golf club in Northwood, where all eight directors were forced to resign after it was shown as a bastion of male chauvinism, and the England football team, whose then manager, Graham Taylor, showed a colourful turn of phrase and temper.

At the Opera House an outburst of temper is displayed by Sir James Spenser, chairman of the opera board, who accuses Isaacs of giving designers and directors too much freedom. "It really does annoy me, these grand people. They really are bastards the way they play us about like this... you don't kick 'em hard enough," he says.



Finer points: Sir Anthony Dowell coaches ballerina Muriel Valtat for his *Sleeping Beauty* Photograph: Jonathon Player

Father suffers fractured skull after tackling thugs

A father was critically ill in hospital last night after challenging a gang of youths who threw beer cans through a window at his home.

Paul Brighton, a 44-year-old civil engineer, had his skull fractured after chasing the youths who pelted him with bricks and cans as he was knocked to the ground near his four-bedroom, detached house.

He underwent emergency surgery at Addenbrooke's Hospital, Cambridge, yesterday to remove particles of skull embedded in his brain.

A spokeswoman for the hospital said: "Mr Brighton has had an operation and his condition is critical."

Mr Brighton and his wife, Susan, 41, were watching television at home with their children Gareth, 11, and Christopher, 13, last night when they heard glass smashing.



Paul Brighton: Youngsters smashed bathroom window

Mrs Brighton said: "A beer can had smashed through the bathroom window. They boys had just been in the bath and Paul was furious."

"He did not stop to think. He was so shocked that the children

could have been hurt. He flew through the door and I telephoned the police. I went out looking for them and saw Paul being taken into an ambulance."

She said the family had lived in the village of Orton Waterville, Peterborough, Cambridgeshire, for 15 years and loved it. "It should be the last place where anything like this could happen. We moved to this house three years ago through Paul's hard work. It seems that just when you have got things as you want them, someone is there to try to take it away from you."

Cambridgeshire police said five youths were being questioned about the attack and a robbery earlier at a nearby store.

The private housing estate where the Brightons live is often used as a short-cut by local teenagers, neighbours said. Streetlights have been broken and fences damaged by the

youths. One woman, who has lived on the estate for five years, said: "It would be a quiet, pleasant place to live if it wasn't for these paths they use as short-cuts. There are always problems at night, teenagers larking about, kicking bottles and causing as much trouble as possible. I'd like to see them close the paths off and leave us in peace."

However, Sergeant Kevin Feek, of Cambridgeshire police, said the area was not known for violence. "Orton Waterville is certainly not a trouble spot. It is a quiet area, in fact so quiet it has many police officers living there."

The attack will fuel the debate about teenage violence sparked by the death of headmaster Philip Lawrence, who was stabbed by a gang of youths outside his school in west London last week.

Traffic warden clamped

Until then, there's Glenfiddich to enjoy.



Bank chief attacks pay policy

BARRIE CLEMENT
Labour Editor

In an unusual break with Whitehall protocol, the new deputy governor of the Bank of England has attacked the Government's public sector pay policy.

Howard Davies, former director general of the CBI who was appointed to the bank in August, told union representatives that the strategy had "worn out" and needed to be more flexible. For the last two years, and for the foreseeable

future, ministers are insisting the pay bills of government-funded organisations remain static.

But Mr Davies told representatives of the Banking Insurance and Finance Union at the Bank, which employs about 3,500 staff, that the policy had caused problems.

"Like any pay policy it wears out and starts to create perverse incentives and local problems, and we have had some of those in the bank," he said.

"I hope that before long they will make it more flexible, because it is starting to act as a constraint on us."

The remarks appear in the latest issue of *BIFU Report* and betray concerns among senior government officials about the rigid policy. Mr Davies's comments refer to the Bank's recruitment difficulties in certain grades because salaries are not competitive with rates elsewhere in the finance sector.

Although individual pay rises varied, most of the staff at the bank's headquarters last year received an increase of 1.25 per cent plus a bonus of £175. Most clerical staff with 10 years' service would earn a total of £17,000 to £20,000.

Government policy also restricts management's ability to extend the principle of performance-related pay, according to union sources.

A spokesman for the Bank of England said Mr Davies's comments came in a question-and-answer session at the conference: "The Bank always adheres to public sector pay policy and will continue to do so."

JOHN ARLIDGE
Scotland Correspondent

Drugs deaths have risen sharply in recent years. In 1993 43 young Glaswegians died; last year the figure was 97 out of a total of around 140 north of the border. In a city of 550,000 people the rate is worryingly high. Compared to the rest of Britain, it is shocking. Around 350 intravenous drug addicts take fatal overdoses in

"We need to keep the problem under constant review because those of us who deal with it know that it changes so fast. Glasgow is a small city with a big problem and it is only when we have discovered the real motives for drug taking and overdosing that we can begin to reduce the slaughter."

Hard ride: An addict keeps fit at a drug rehabilitation centre in Glasgow

Photograph: Drew Farrell

JOHN ARLIDGE

As smoke curled around his grey, cracked fingernails he described how, like 100 other young Glaswegians this year, he has overdosed on illegal and prescription drugs. "I have come

CASE STUDY

over the top six or seven times," he said. "It usually happens in toilets — either public ones or in McDonald's or the bus station. At least, that's where the doctors say they found me."

He starts "jagging" as soon as he wakes. "I need something to set me up for the day. So I see the dealer, buy the 1g score-deal of heroin, heat it up, suck it up into barrel of the syringe and look for a vein which is still fresh. I have injected all over my body — my arms, legs, neck, groin — but most of my veins

It is these "drugs cocktails" which are partly responsible for the hundreds of overdoses

"I am aware of what I am doing. I am combining the most powerful opiate known to man — heroin — with the most powerful prescription sedative — temazepam. People ask me: 'If you know it is so dangerous, why do it?' But they don't understand how great the craving is

Even after he has overdosed he has gone straight back to the dealers. "One time I left the Glasgow Royal Infirmary and I didn't even go home. I went straight out and scored another hit ... When it has got a hold on you, there's nothing you can do - except pray you won't die like your mates."

JOHN MCKIE

Chatto & Windus have also donated a letter from Joseph Conrad, which they describe as "grumpy". In response to their treatment, Conrad wrote in 1918: "No doubt many writers can shake 50,000 words out of their sleeve in their spare time but I have not that facility."

Nigel Nicolson has donated the gardening book of his mother, Vita Sackville-West, and Auberon Waugh has given his father Evelyn's car trumpet. The car trumpet was most famously closed at a Foyle's Literary Luncheon when Malcolm Muggeridge began speaking.



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Joint enterprise: Villagers transform derelict pub into a thriving music base



Community spirit: Regulars enjoying a pint at the Pontardawe Inn, which is run by a co-operative of local volunteers Photographs: Rob Stratton

Room at the inn for community spirit

MICHAEL PRESTAGE

It might seem like any other pub in industrial South Wales, but Dai Prosser and the rest of his darts team can only gather in the tap room of the Pontardawe Inn because of a great community effort that has transformed the place from a derelict shell to a thriving business.

The initiative to restore and reopen the pub, which closed 18 months ago as rents soared, has brought about a collaboration between locals and the organisers of the annual Pontardawe Folk Festival, who wanted a base and a round-the-year venue for bands.

Now darts and cribbage go hand-in-hand with such eclectic music as a group playing traditional songs from their north-east Indian homeland.

Mr Prosser, a 55-year-old lorry driver, was a regular at the



New lease: Renovating the pub has united the community

pub for 30 years and is now one of a team of volunteers who help to keep the pub going. Apart from a full-time manager, all aspects of running the pub are tackled by unpaid helpers responsible for everything from bar work to the accounts.

Mr Prosser said: "Everybody

was disappointed to see it closed, but there is now a big improvement. There is no 'them and us' atmosphere in the place. We called them the folkies in the beginning, but now everybody gets on. We all like listening to the music and we persuaded them to have the darts teams

back." The pub itself dates back to 1750 and stands at the crossing of an old drovers' road which linked Neath with Ammanford. It has hosted generations of miners, metal workers and farmers. Now the pub is owned by the local community the tradition is set to continue.

Helen Matthews, a community education worker and marketing director for the festival, said the idea of acquiring the pub was originally put forward long ago in a meeting. The majority of the festival organisers live in the village and had drunk at the pub before it closed.

With the backing of the Crown Brewery, the pub was purchased from the brewers Guinness and volunteers refitted it within six weeks, ready for its opening last summer. It is committed to providing a venue for live music from

around the world as well as being a traditional local.

Ms Matthews said: "People in the village have responded magnificently to the challenge we set ourselves in turning what was a ruined pub into a place of warmth and music and a real centre for the community."

MPs' lavish new offices 'millions over budget'

CHRIS BLACKHURST
Westminster Correspondent

The National Audit Office, the public finance watchdog, is to be asked to investigate the way MPs spend taxpayers' money on upgrading and refurbishing their accommodation at Westminster. Betty Boothroyd, the Speaker of the Commons, may be dragged into the inquiry as the person with the ultimate say over MPs' spending.

The request to the NAO from a Conservative MP and member of the influential Public Accounts Committee comes after claims that a new building for MPs will cost £215m, more than £60m over budget.

To be built above the new Westminster underground station, the new block was scheduled to cost £154m. But with its bronze cladding alone expected to cost more than £30m, £10m more than the Parliamentary Works Directorate had budgeted for, and other items also predicted to run over schedule, industry experts are predicting a final bill of £215m.

Intended to house 210 MPs and 210 staff, the building, even at its original price would cost £367,000 per place. Peter Thurnham, Conservative MP for Bolton North East, said he was appalled by the lack of

controls applied by the works directorate. The cost of housing each MP there could be "10 times" what it would cost in the West End of London, he said. "I will ask the NAO to look at the way the costs have escalated."

As someone who used to run a family engineering business, Mr Thurnham said he knew how costs mount when they are not tightly controlled.

His request will carry extra weight because he sits on the Public Accounts Committee, the body to which the NAO reports. He acknowledged his move would not be popular with colleagues, but added: "It is public money at the end of the day, we're here to protect taxpayers' interests."

The MP is prepared to see the Speaker dragged into an NAO study. "Ultimately, it comes down to the Speaker," he said.

Work on the new building is due to start in 1997. Standing on the corner of Bridge Street, across the road from Big Ben, it will contain MPs' offices, a bar, restaurant, library, shop, conference and meeting-rooms. Inside it will be finished to the same high standard as other new offices for MPs at 7 Millbank and 1 Parliament Street.

Elsewhere in Parliament, other rebuilding and decoration

work has been stepped up. The works directorate, which answers to two groups of MPs, the Accommodation and Works Committee and the Finance and Works Committee, has between £30m and £40m a year to spend on heating, lighting and refurbishing the facilities. Lifts have been revamped, and the area around the old Strangers' Bar redesigned. A new, bigger, bar has been built in what was the Lady Members' Room.

The Palace of Westminster has also recently acquired a £1m sweeping new entrance for cars at its western end, beyond the House of Lords. Mr Thurnham said: "There needs to be proper control, there is no financial discipline there that I can see."

A Works Directorate spokesman said that the new building did not have "a lavish specification. It is designed to a high specification for a very prominent site and it has to last for 120 years."

He added that the cladding was bronze to match the surroundings, and there were unique security features that had forced up the cost. Mr Thurnham, he said, "is entitled to his opinion". But the spokesman pointed out that the plans for the new building had been approved after a full debate on the floor of the House.

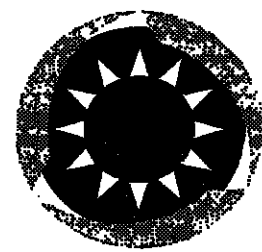
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DAILY POEM

Four Haiku

Sucking a persimmon
a seed suddenly popped
into my mouth

Awano Sieho

The bee leaves the heart
Of the peony flower
— so reluctantly!

Matsuo Basho

A smile that faded
away just like an ice floe
slowing to a stop

Kato Shuson

His eyelids lowered
Buddha with the broken nose —
deepening winter

Tatsumi Makoto

Haiku, 17-syllable meditations or bursts of inspiration, arranged in the order five-seven-five, are the most popular form of verse in Japan, written and read by all sectors of the population and recited in response to everyday situations. They are not just for poets like Matsuo Basho and Awano Sieho: industrialists, economists and politicians write haiku; so too do prisoners on death row, as a form of confessional therapy to prepare themselves for execution. It is an exercise favoured by the old particularly, since it has been proved scientifically that the writing of haiku keeps the brain active and young. Haiku poets often live to a grand old age.

These haiku, translated by James Kirkup, appear in *An Anthology of Classic, Modern and Contemporary Japanese Haiku in Translation*, published by the University of Salzburg Press. James Kirkup is President of the British Haiku Society.

Second year of drought forecast

NICHOLAS SCHOON
Environment Correspondent

A second year of widespread drought is likely in 1996 unless there is above-average rainfall and urgent water saving measures, the National Rivers Authority warned yesterday.

Following an exceptionally dry and hot summer across Britain, the autumn and winter rains for most of England and Wales so far have been about one-third below the long-term average. Many reservoirs are at unprecedentedly low levels for the time of year.

In some areas of southern and eastern England which rely on borehole supplies the water table in the underground aquifers is falling — by this time of year it should be rising.

In a drought report to John Gummer, Secretary of State for the Environment, the authority identifies the Yorkshire, North West and South West Water companies as those whose supplies are most vulnerable.

The report says: "It is essential to avoid any complacency or

undue risk-taking on the part of the [water] companies."

Late last summer almost half Britain's population was covered by hosepipe bans, many of which are still in place. It was the worst drought since the prolonged and severe shortages of 1976.

Several water companies are now applying for drought orders which would allow them to take extra water from rivers for their underfilled reservoirs during the winter, when river flows are highest.

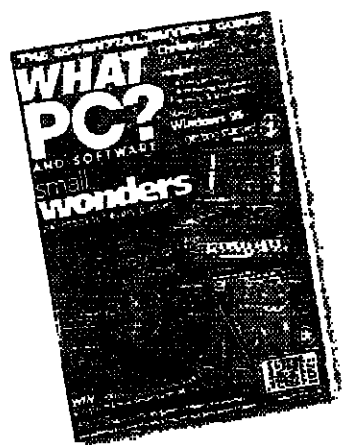
Yorkshire Water, the worst affected, has several hundred road tankers ferrying in supplies to the worst-affected areas and has begun large-scale emergency engineering works to improve its water grid and reduce its mains leakage rate, one of the highest in Britain. The authority's report avoids explicit criticism of any companies.

The Water Services Association, which represents the big 10 water companies, called on the authority to be flexible in allowing it to take more water from rivers and boreholes.

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news

Privatised railways to lose £500m in subsidy

CHRISTIAN WOLMAR
Transport Correspondent

Subsidy to the railways is being cut by a third in 15 months' time, according to an analysis of the Government's transport spending plans by an adviser to the Commons Transport Committee.

The figures, which have been accepted by the Department of Transport as accurate, imply either massive reductions in service or unrealistic cost savings.

They are revealed at the same time as the Government announced it is to spend £10bn on Railtrack to improve the network.

In 1997/98 the railways will receive about £1.36bn subsidy, compared with £1.86bn during 1996/97 and the present year, a reduction of £500m.

Earlier this year, the Transport Committee said that the extra subsidy required after privatisation was between £500m and £700m each year. This extra cash was needed to enable train operators to pay the newly imposed track access charges to Railtrack and the cost of leasing trains which previously had been owned by BR.

In the Government's response to the Committee's report published last week, there was no reference to the fact that the extra subsidy is no longer required by 1997/98. This is when the financial support for the rail industry broadly returns to pre-privatisation level, with some extra money to the passenger transport authorities to pay for track charges to Railtrack. By 1997/98, virtually the whole industry is expected to be in private hands.

The Government's response merely said: "The private sector will be considering carefully what steps could be taken to attract more revenue" and

"considerable efficiency improvements" are expected. However, both these amounts will flow to the franchise companies operating the railways, and not to the Government.

Richard Hope, a transport consultant who advises the committee and carried out the analysis, said the figures had very serious implications. "It seems highly improbable that franchisees could expect to achieve such large improvements in their finances, averaged over seven years, given capped fares, the rigidities of the timetable process and the industrial muscle which Aslef, if not RMT, still command."

The franchisees' best potential way of cutting costs is through staff reductions but Mr Hope warns: "At least 90 per cent of Railtrack and Rosco [rolling stock company] payments would have to be made during a strike." He also feels that a sharp increase in revenue, dependent on higher than expected economic growth, is unlikely. He says: "Huge cuts would be necessary to achieve a £500m reduction in a single year, bearing in mind redundancy payments and loss of revenue from discontinued services."

Mr Hope concludes that the explanation for the "irrational behaviour" of the Treasury in imposing this cut is a "combination of Treasury signalling its determination to get tough on rail subsidies after the election without understanding the financial rigidities of the monster it has created."

A spokesman for the Department of Transport said last night: "Ministers have agreed to this budget for 1997/98 but they have also guaranteed that the present level of services will be maintained. Privatisation will lead to considerable savings."

Theatre of war inspires pantomime pupils



Lesson in kindness: Pupils at Redlynch School, in Lower, Wiltshire, who raised £169 for children in former Yugoslavia Photograph: John Lawrence

Charity to bring long-lost children home

At first many parents thought the Bosnian conflict would be over within days. They took their children, some with only the clothes they stood up in, and put them on trains to remove them from danger.

Today, up to 10,000 children in the former Yugoslavia are still separated from their families. Some have not seen or heard from their parents since the war began.

Kevin Byrne, 42, is the Save the Children Fund (SCF) field director for the federal republic

Thousands of families wait to be reunited, writes Jojo Moyes

of Yugoslavia, and one of two men faced with the daunting task of trying to reunite children with their parents, or find homes for those who no longer have a family.

"Some of them haven't seen their parents for years," he said. "There are a lot of kids who have grown up while they've been separated."

Mr Byrne oversees SCF's reunification programme, which has identified 2,650 un-

accompanied children in the former Yugoslavia alone. More than 460 of these have no families to return to. In Bosnia, where the process of identifying the unaccompanied children has just begun, nearly 4,000 have already been registered.

The children are usually aged between 7 and 18. SCF registers them and tries to organise interim care, whether it be counselling for those who are traumatised - many children saw

their parents die - or material help. "They usually need basic food stuffs and clothing," said Mr Byrne, adding that clothing was particularly important in the "ferocious" winters.

SCF's 12 workers try to organise "host" families for the children. But Mr Byrne said, "Many host families are quite poor and taking another child is quite a strain."

For some parents, who are in mixed marriages or who live in

mixed areas, it would "take time" for them to feel it is safe for their children to return.

Mr Byrne said that the need is not just for emergency aid. "Children are always very resilient, but I don't think there are any children who haven't been affected. What we're trying to do is minimise the long-term negative effects."

The Save the Children Fund aims to reunite all the children, but Mr Byrne says the charity's work will continue for at least the next three years.



The plight of children suffering in the war-torn former Yugoslavia has moved the children of a Wiltshire primary school to donate the proceeds of their Christmas pantomime.

The 80 pupils at Redlynch Church of England Primary School, in Lower, Salisbury, read the Independent's appeal for donations - and sent £169.80, collected from two performances of *Puss in Boots*. The money, part of £60,000 collected by the Independent's Children of War Appeal, will go to Save the Children, War Child, Red Cross and Child Advocacy International.

The charities are striving to save children who have endured years of appalling living conditions during the conflict.

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Wildlife at risk: Today we begin a weekly series featuring some of the animal and plant species covered by an ambitious rescue plan



In decline: Nature conservationists have a scheme to help the water vole get back to its 1970 levels by 2010. Photograph: Ken King / Planet Earth

Conservationists join forces to save Ratty

NICHOLAS SCHOON
Environment Correspondent

The water vole – Ratty in *The Wind in the Willows* – is a common little mammal with a population of about 1.2 million in the United Kingdom.

Larger than the field vole, it is a fine swimmer even though it lacks basic adaptations such as webbed feet and waterproof fur. It eats leaves, stems and roots above and below the water and lives for up to three years.

Last week, the Government was set a tough challenge – to help fund rescue plans for 116 of Britain's most threatened or fast declining wildlife species, and for 14 rare types of habitat as well. The ambitious nature conservation scheme was drawn up by the Biodiversity Steering Group as a follow up to the 1992 Rio de Janeiro Earth Summit. The group is a consortium of

civil servants, representatives from government agencies such as the Forestry Commission and English Nature, academics and wildlife conservation groups. The Government has promised to respond to its plan next spring.

The water vole is on the biodiversity list because its numbers and range are in fairly rapid decline. A national survey in 1989-90 failed to find signs of the riverbank-dwelling vole at 67 per cent of sites where they were previously recorded. The proposed goal for *Arvicola terrestris* is to halt the decline and then help the species spread back to its 1970 range by 2010.

Its habitat along canals and rivers is being damaged by erosion from boats and erosion repair work which heaps mounds of river-bed mud on the bankside, sealing its burrows.

Waterside development and the heavy human disturbance

which comes from increased river recreation make life uncomfortable or impossible for the vole.

The mink, imported from North America and now breeding successfully in the wild, hunts it. Pollution of streams by pesticides used to control rats – rodenticides – is another cause of decline.

The prescription for recovery involves managing rivers, banks and the land nearby in a way which aids the water vole and curbing the use of pesticides.

Anyone who uses rodenticides illegally near where the voles are found should be prosecuted. Mink populations could be controlled by trapping in areas where voles live or to which they might return, although further research is needed to show whether this would be effective. The total cost of the programme is put at £150,000 a year.

Labour fury over 'basic checks' on nurseries

FRAN ABRAMS
Education Correspondent

Private nurseries will be able to offer education paid for by government nursery vouchers with only the most basic checks on the quality of the service they provide, according to documents obtained by the *Independent*. Last night, Labour said the revelation was "a scandal and an outrage".

It has also emerged that some parents in two pilot areas for the £1,100 vouchers will be unable to use them because there will not be enough places to go round. In Westminster and Norfolk, several hundred will be disappointed.

Although there will be a "light touch" inspection of all nurseries accepting vouchers within the first year, the Department for Education and Employment has confirmed that this might not include a visit.

Experts have long been concerned about the quality of private nursery provision, and last year the schools inspection body, Ofsted, said that although standards of literacy and numeracy were adequate they were unsatisfactory in most other areas. Information sent out by the department to potential providers says that any registered day nursery or school, state or independent, will be able to accept nursery vouchers. In return it must agree to publish information on staffing and premises, to work towards a set of educational goals and to be inspected.

Margaret Hodge, head of Labour's nursery inquiry, said

nurseries could get on to the scheme simply by filling in a form and that they might not be visited at all. "What really counts if a child is to succeed in later life is the quality of the nursery education experience. It is a scandal and an outrage that the Government are allowing this," she said.

Nursery experts have said that the vouchers may encourage sub-standard private schools to set up classes for the under-fives so that they can redeem the £1,100 vouchers which will be sent to parents of all four-year-olds.

Susan Hay, who runs a chain of nurseries in London, said many new nurseries would not have their education inspected for some time. "There will be a lot of people seeing it as an opportunity to get into this business and they will be allowed to operate for a considerable period during which parents' and children's expectations may not be met."

Day nurseries or schools which do not have more than five children over five are registered under the Children Act and are inspected to ensure that they meet health and safety standards, but education standards are not checked.

Other schools are registered with the education department and receive a one-day visit from an inspector, which includes a look at basic safety provision and a glance at the curriculum. A follow-up visit checks on whether changes have been made before full registration is granted, but the procedure is "basic", according to Ofsted.

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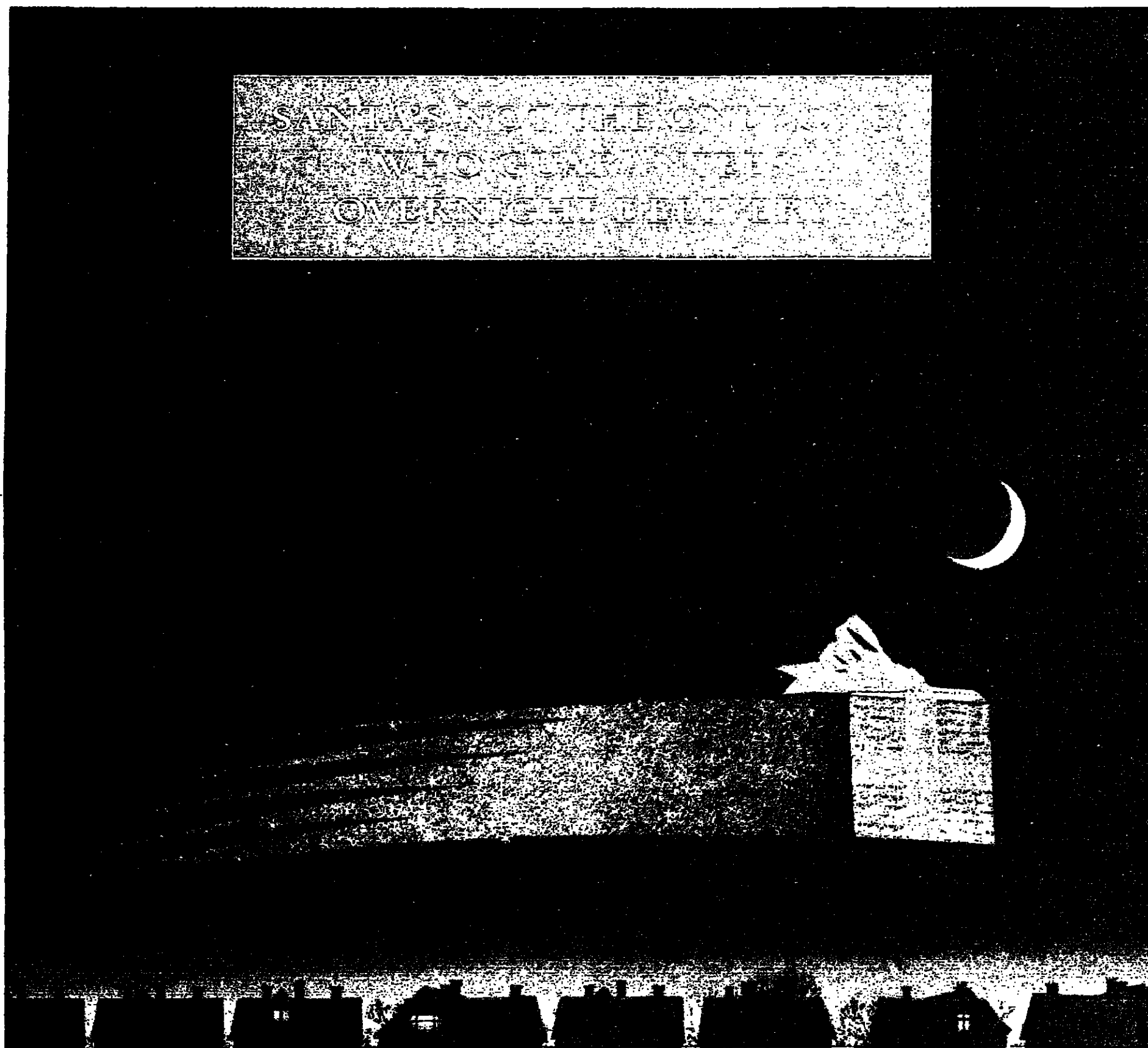
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Russian elections: With 43 parties on the ballot, some voters find it difficult to get to grips with democracy

Red Town longs for cheap sausage

PHIL REEVES
Moscow

Father Konstantin looks as if he modelled as an apostle for a cathedral mural. His grey beard, black robes and baldness give him a saintly, stoical look. But, as Russians trooped to the polls yesterday, there was anxiety in his face.

Fifty-seven years ago his church, a crumbling 19th century brick building, was shut down under Stalin. Its decorated walls were painted white, and it became a garage. Yesterday, as he stood in the hall of his church, the priest was pondering the possibility that his aisles

might again echo with the clatter of godless mechanics.

"The Communists are willing to say anything to get into power," he said. "It would be a disaster for the people. If they come to power, sooner or later, they would break up the Church." He had advised his several hundred Sunday regulars not to vote for any "extremists" - left or right. "People need peace," he explained.

Peace is a word with special resonance in Krasno Gorsk, "Red Town", a community of 50,000 on the edge of Moscow. You only have to brave the biting winter winds for a few minutes to find someone who'll tell

you not only about the horror of the German wartime advance, but exactly how close they came - seven miles. There is an anti-Fascist museum. The military hospital is treating wounded soldiers from the Chechen war. Yet, the father's wishes may not be fulfilled.

Boris Gurelik, 60, was towing his small grandson along on a sledge after casting his vote in the Palace of Culture. "I voted for the 'new' Communists," he said cheerfully, referring to the Communist Party of the Russian Federation, led by Gennady Zyuganov - who yesterday assured the world that, if his party wins, there would be no

return to Soviet-era Communism. "Everyone's voting communist," continued Mr Gurelik. "Yeltsin cheated us all. If the Communists win, they'll form a coalition, take over the cabinet, and the economy will revive at once. At least, I hope it will."

Inside the palace, polling station No 933, dozens pored over election documents. Choice, like real democracy, is still new and rare in Russia: some were clearly puzzled by the list which - with 43 parties - occupied a poster-sized sheet of paper, festooned with helpful party symbols. Clusters of voters formed, studying the field. Only a few bothered to re-

treat behind the curtains of two voting booths. Many voted in front of everyone else.

Although the elections were for the State Duma - or lower house - their impact on next year's presidential election is more important. In parliament, their effect will almost certainly depend on whatever alliances are formed by the largest parties. But the Duma's power is limited, compared with the presidency; the ruling group would need a consistent two-thirds majority to overturn the president's veto. What matters is which party leaders emerge to run for the Kremlin's top job. Half the Duma's 450 seats are

allocated to parties by proportional representation. The other half go to individual candidates, elected on a first-past-the-post system in each constituency. In the Palace of Culture, a list of the latter was being studied earnestly by elderly women, who had clearly never heard of most of them.

"It should be someone with a Russian name, but there aren't any," muttered a middle-aged woman. "I like his face," she added, pointing at the photo of a stern-faced individual with a Jewish name, "but he's not Russian." She eventually settled on a local administrator. Predictions of strong Com-

munist gains seemed to be holding up. But, in Krasno Gorsk, not everyone wanted Red Town to become just that. The town has its share of "new Russians", the minority who have profited from free-market reforms. Dozens spent yesterday afternoon skiing, sitting up and down a small slope in brightly-coloured jump suits. "I want to beat the Communists," said Alexander, a 33-year-old businessman who runs an international translation service. "So many people want the Soviet Union back. They want cheap sausage. But I know what cheap sausage means - it means long queues."

IN BRIEF

Battle over Red Sea islands

Sana'a — Yemen and Eritrea fought a fierce battle with warships and aircraft over disputed islands in the key Red Sea shipping lane. Yemeni military sources said Eritrean forces were firing at Yemeni positions on the Red Sea island of Greater Hanish from warships but have not landed yet.

A Yemeni statement accused Eritrean troops of "treacherous aggression and piracy... violating territorial waters and threatening security, stability and international shipping in the Red Sea area."

Newt: Man of Year

New York — Newt Gingrich, Speaker of the House of Representatives, who led the Republican takeover of Congress, was named as *Time's* Man of the Year. "For better or worse, he has changed the language and substance of American politics perhaps like no other politician in recent history," the magazine said.

Papandreou poorly

Athens — The Prime Minister, Andreas Papandreou, on life-support systems for a month was in a critical condition and waging a "titanic battle" against a new secondary infection. Mr Papandreou, 76, was still undergoing regular dialysis for his failed kidneys.

On the run

Islamabad — One of Pakistan's most notorious alleged drug smugglers has fled the country and surrendered to US authorities, diplomats said. Ayub Afridi has denied the allegations, saying they are politically motivated because of his opposition to the Prime Minister, Benazir Bhutto.

Rushdie injured

Sydney — Salman Rushdie and two companions suffered minor injuries when their car crossed a highway and collided with an oncoming truck in the coastal town of Milton. TV stations reported. Sydney police would say only that the three people injured in the accident on Saturday evening were from London.

US murders down

Washington — The number of murders reported in the United States dropped 12 per cent in the first half of 1995, the largest decrease in 35 years, the FBI said on Sunday. Officials said it was the most dramatic drop in the murder rate since 1960, the earliest year for which the agency has comparable figures.

Welcome reaction

Tokyo — North Korea has welcomed the signing of an agreement to supply it with two light-water nuclear reactors and promised to maintain the freeze on its existing nuclear programme. North Korea and the Korean Peninsula Energy Development Organisation signed the agreement in New York on Friday.

Elderly vote in droves for the Communists

Polling station number 67 was doing a brisk trade yesterday morning as the Russian parliamentary election got under way. But most of the people coming to vote in the red-brick primary school in central Moscow were in late middle-age, if not elderly. "Don't worry," said a youth. "The young people will be along when Linda finishes singing on television."

He was referring to new pop star whom the younger generation hails as the Russian Madonna.

While their children and grandchildren were still at home, the old appeared to be voting in droves for the Communist Party. Despite the presence of four policemen and two *druzhinki* (public order volunteers) to protect voters against possible Chechen terrorist attacks, there was a festive atmosphere at the polling station as the pensioners gave their verdict on market reforms.

"I have voted for our man, Zyuganov," said a beaming Nina Nikolayevna, referring to the Communist leader, Gennady Zyuganov. "I got great pleasure from it. Of course, we will have to wait and see if [President Boris] Yeltsin will respect the outcome of the election."

Queues built up inside the polling station as many voters donned or changed spectacles to read the ballot paper, long as a menu in a fancy restaurant, with 43 different parties to choose from. But they mostly knew what they were looking for: box 25 - the Communist Party of the Russian Federation.

I stood at the exit for about an hour, and every other person I questioned had voted Communist. The other 50 per cent in my sample had spread

Helen Womack in Moscow watched pensioners rushing to take revenge against reformers

their favours among the remaining parties, although I met nobody who had voted for the nationalists Vladimir Zhirinovskiy and Alexander Lebed. Off-repeated was the wish to see "decent" politicians elected.

Lyubov Pavlovna, a woman in her late fifties, said she had chosen the leftist "Power to the People Party" of Nikolai Ryzhkov, a former prime minister under Mikhail Gorbachev, because he was experienced and dignified. "I'm tired of seeing politicians fighting in parliament," she said. An elderly couple, Antonina Vasilievna and Sergei Mikhailovich, had chosen the party of the "little fish", a play on the name of the parliamentary speaker, Ivan Rybkin, because "he's decent and solid". The politician is conservative although not actually Communist.

Polling station 67 did produce at least one vote for a free marketeer. "I chose [Yegor] Gaidar because I have not forgotten the empty shop shelves of the old days," said Alexander, a journalist. But it seemed the reform vote would pick up only if the young people went to the polls.

Voting day began bright and sunny but in the afternoon there was a violent snow storm with thunder and lightning, a rare phenomenon in winter. An anti-Communist friend, "It's a sign from the gods," he said. "Time to switch off the television and go out to vote."



Military decision: Soldiers voting in Russia's far-eastern provinces Photograph: Reuters

Chechen rebel attack strikes blow to poll

CARLOTTA GALL
Grozny and agencies

The last stragglers came to vote yesterday in the almost deserted capital of Chechnya as it became clear that Muslim rebels had not only disrupted elections but also dealt heavy casualties to Russian forces in the territory's second town.

Chechen fighters were claiming to have killed "hundreds" of Russian soldiers in an attack on Gudermes, 20 miles east of Grozny, where they have surrounded the Russian command post and railway station.

The rebels launched their attack on Thursday morning, the day polling began in the republic, and Chechens arriving in Grozny from the area said fighting had continued yesterday.

The Russian news agency Interfax quoted a Russian security official as saying 22 soldiers had been killed and 41 injured in the fight for Gudermes. The agency said Russian soldiers evacuated from the town reported that 40 per cent of it had been destroyed.

Despite condemnation from critics who said elections would be a farce as long as the war continued, Moscow arranged for a vote to choose a new Chechen leader at the same time as a nationwide parliamentary poll. Voting has been spread over four days to allow for any disruption due to the precarious security position.

Preliminary results indicated that Dokus Zavayev, the Russian-appointed prime minister, would win - an outcome the guerrillas were certain to denounce.

President Boris Yeltsin's special envoy in Chechnya, Oleg

Lobov, cast his vote in Grozny's fortified airport along with Dokus Zavayev, head of Chechnya's Moscow-backed government.

He said the turnout was near 70 per cent, citing migrant builders working to restore ruined Grozny and Russian soldiers among the voters. He said the vote was a "remarkable event".

The Russians feared some sort of terrorist attack in Grozny by separatist fighters loyal to General Dzhokhar Dudayev, who still claims to be the legitimately-elected president of an independent Chechnya.

However, Grozny was quiet. Soldiers tightened their control of the city, blocking off main streets from traffic and allowing only local drivers in and out of the city.

Instead it was in Gudermes that the chief of Chechen forces, Aslan Makhadov, chose to launch a carefully planned military operation that he said was aimed at preventing elections from taking place. He said on Saturday that his forces were in complete control of the town.

The Chechen action has shown how little of the territory the Russian forces control a year after invading the region and laying waste to its capital. The rebels control a swathe of territory south of Grozny and still command strong loyalty among the population in the villages. Peace talks apparently have broken down irretrievably since a bomb blast in the autumn put Russia's top general in a coma.

Yesterday's voting in Grozny was ramshackle, with no registration lists and no control over multiple voting. I saw one man voting for himself, his wife and his daughter, who he said was ill. However, he had no documents to prove he had any family.

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Election result: Vranitzky poised to keep power in poll that many had feared would be breakthrough for anti-foreigner party

Austrian right wing left out in the cold

ADRIAN BRIDGE
Central Europe Correspondent

The Austrian Chancellor, Franz Vranitzky, was heading for victory last night in a general election that many feared would lead to a breakthrough for the far-right Freedom Party (FPÖ).

The first unofficial results gave Mr Vranitzky's Social Democrats (SPÖ) 38.3 per cent of the vote, comfortably ahead of their nearest rivals, the conservative People's Party (ÖVP), on 28.3 per cent, and the FPÖ, led by the populist Jörg Haider, on 22.08 per cent.

If confirmed, the results mark a turnaround in the fortunes of the SPÖ, which, although it has been in power for 25 years, had seen its support slump to 34.9 per cent in Austria's last election, in October 1994. They also would be seen

as a vindication of the SPÖ campaign, which promised "no experiments" and in particular warned of the danger of allowing Mr Haider into government. "This shows that the Austrians did not want a government including Mr Haider," said Ameliese Rohrer, political editor of *Die Presse*. "The SPÖ will now be back for years."

Despite its improved showing, the SPÖ still will need to build a coalition in order to form the next government.

With the Green party set to gain 4.5 per cent and the Liberal Forum 5.2 per cent, its most likely partner will be the ÖVP, with whom it has been in coalition for the past nine years.

Despite a slight improvement of some 0.5 per cent on its 1994 result, the ÖVP, and in particular its ambitious leader, Wolfgang Schüssel, undoubtedly

emerged as losers from yesterday's poll.

Mr Schüssel brought down the last coalition government in October after sharp disagreements with the SPÖ on how to curb Austria's rising budget deficit. Calling for cuts rather than tax rises, Mr Schüssel urged voters to return the ÖVP as the strongest party so that he could become Chancellor.

At the same time, he indicated that he would not averse to going into a coalition with Mr Haider's FPÖ.

Although mathematically a "black-blue" coalition between the ÖVP and FPÖ remains possible, yesterday's results make it extremely unlikely.

Mr Schüssel's position as ÖVP leader may also now come under fire.

For his part, Mr Haider, a man who once praised Hitler's

employment policies and who campaigns on a crude anti-foreigner platform, also emerged as a partial loser from yesterday's poll.

Although the FPÖ recorded a gain of approximately 0.5 per cent, it was hardly the breakthrough he had hoped for.

But Mr Haider's goals are more long-term. While not ruling out the possibility of assuming a role in government now, he also indicated during the campaign that he would prefer the two main parties to form yet another coalition which, he believes, would fall apart within two years.

In such an event, Mr Haider believes that the FPÖ would be returned as the largest party and that by 1998 he will become Chancellor.

After yesterday's poll, that scenario remains possible.



Viennese whirl: An Austrian couple in traditional Tyrolean dress casting their votes in yesterday's election

Bosnian snows delay US troop deployment

Agencies

Sarajevo — Snow and fog yesterday closed Tuzla's airfield for the fourth day, preventing the first US combat troops from landing. Nato diverted flights carrying equipment and personnel to Sarajevo instead.

Two trains were en route from Hungary to the Croatian town of Zupanja, 150 miles east of Zagreb, carrying US Army troops and equipment to build a bridge across the Sava River, a Nato spokeswoman said.

But no American planes have landed in Tuzla since Wednesday, delaying the establishment of the command post for 20,000 American troops that are to patrol north-east Bosnia. They will make up one third of the 60,000-member Nato mission.

British forces said yesterday that they were ready for Nato's peace-enforcing mission in Bosnia despite the weather.

Sarajevo was without power for a third day after heavy snowfall damaged power lines, which have been poorly maintained during the war.

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£25,000	5.00%	—	3.75%
£10,000	4.65%	—	3.49%
£3,334	4.00%	—	3.00%
Trident Gross			
£25,000+	5.00%	—	3.75%
£10,000	4.65%	—	3.49%
£5,000	4.00%	—	3.00%
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£500	3.22%	3.25%	2.42%
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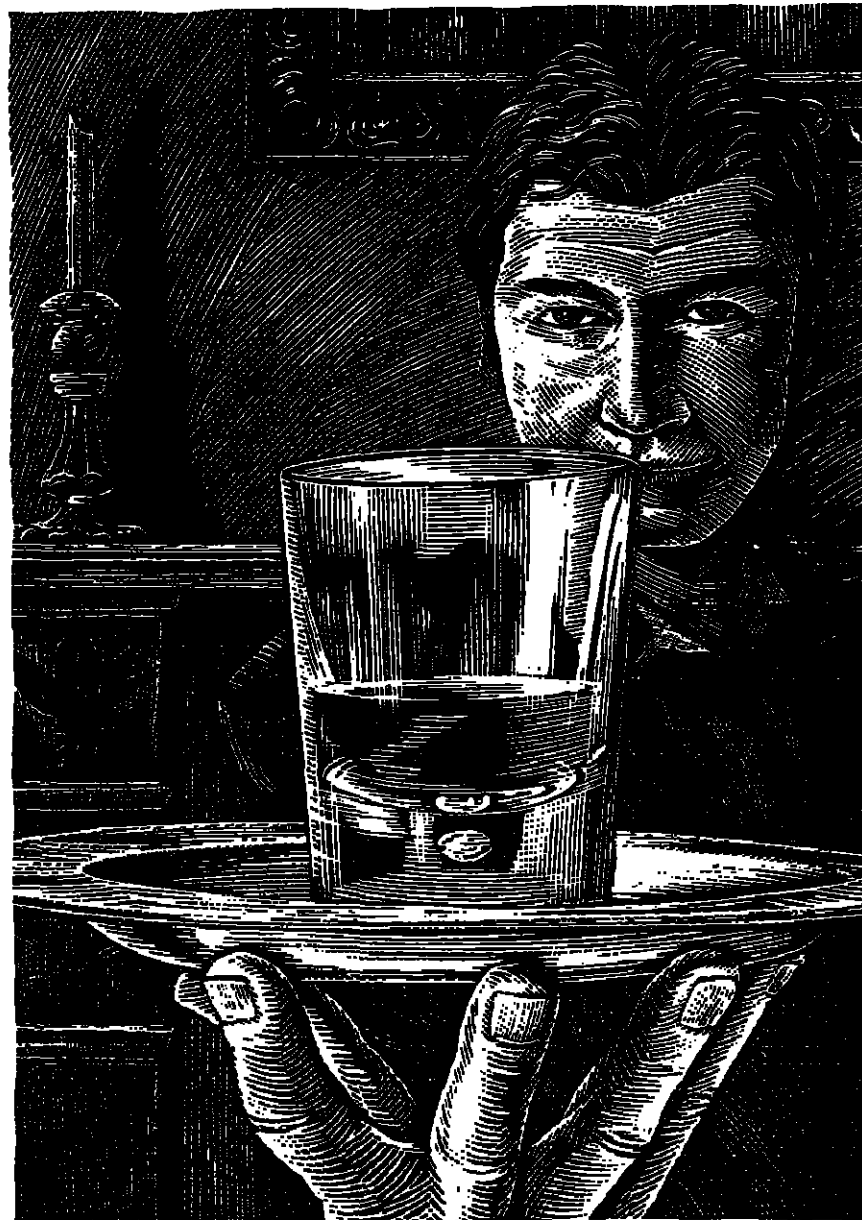
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South African tragedy: Fire at sulphur stockpile left over from days of apartheid causes havoc in quiet community

Gas cloud kills three in Cape

ROBERT BLOCK
Johannesburg

When a cloud of poisonous gas from a chemical plant fire rolled into a small South African town this weekend, killing three people and forcing the evacuation of thousands, the African National Congress of President Nelson Mandela saw apartheid as the real culprit behind the tragedy.

The fire that caused the disaster began in a field close to the town of Macassar late on Saturday. It quickly spread to the African Explosives and Chemical Industries (AECI) plant at nearby Somerset West, about 25 miles from Cape Town. Stored at the plant were 15,000 tons of sulphur, part of the former apartheid government's strategic stockpiles for its internationally boycotted military and civilian industries.

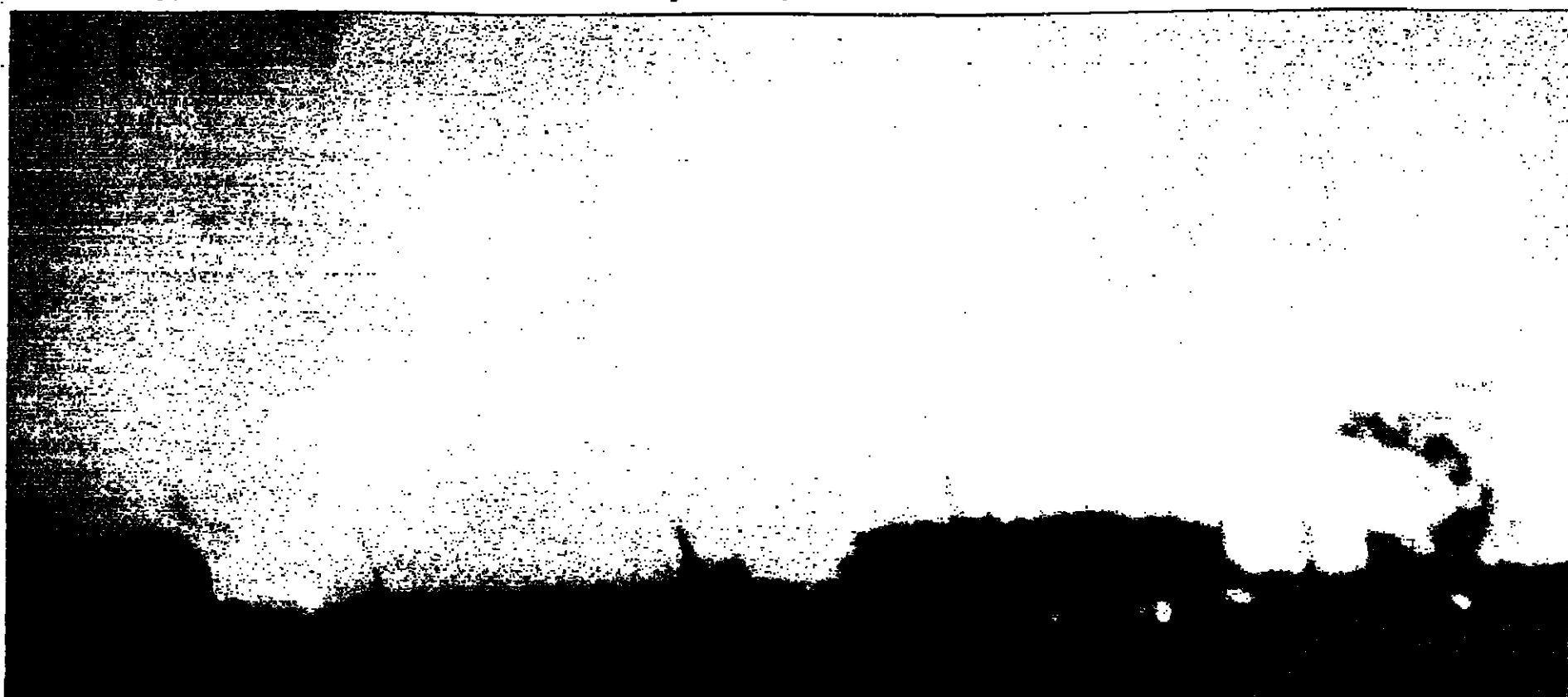
Almost immediately a cloud

of dense, toxic smoke billowed over the area, forcing 2,500 people to flee in an assortment of cars, fire engines, police lorries and ambulances.

"We just saw a bundle of smoke coming over our place...we first thought it was just grass burning but then we smelt gas," David Ross, a Macassar resident, said after he was evacuated. "Our eyes and noses were stinging and our chests were so tight. We had difficulty breathing."

At least 100 people were treated for smoke inhalation and later released. By yesterday afternoon the crisis was contained and people were allowed to return home.

Strong winds and quick action by Cape emergency services were credited with saving hundreds of lives, but the question was asked: why were dangerous chemicals stored so close to residential areas.



Deadly legacy: The cloud of poisonous gas which killed three people and caused the evacuation of thousands more rises above Somerset West.

Photograph: AP

Madrid summit: After the 'historic' moment, hard part now is to win over a sceptical public

Drive begins to sell the 'Euro'

SARAH HELM
Madrid

The new political will at the summit here to secure a single currency, symbolised by the naming of the Euro, appears to have increased chances that monetary union will happen in January 1999. But, given the rhetoric about the "historic" moment, there was little sense of euphoria; rather, the conference was marked by an underlying sense of unease.

Doubts persisted about whether France and several smaller countries will make the grade to join EMU and John Major's warnings about dividing Europe jarred with the otherwise harmonious tones of other leaders. But the unease was prompted perhaps more strongly by fears about the task of selling EMU to the public.

As Chancellor Helmut Kohl

acknowledged yesterday, winning support is about more than a sales-pitch for the single currency: it is a sales-pitch for the whole process of European integration. "We have got to do everything to convince the people of Europe of the absolute necessity of the European Union in all areas."

The practical decisions taken at Madrid show political and technical EMU planning has come a long way this year. The timetable for the changeover was agreed: early in 1998 the political decision will be taken on which countries qualify to join EMU, which will start on 1 January 1999, with the locking of exchange rates. Notes and coins will start to circulate in 2002.

For Bonn and Paris, the alliance which drives the EU, Madrid was a good meeting. Mr Kohl had cause to celebrate that the deal had been struck so far



Kohl: Deal done on his terms

largely on Germany's terms. President Jacques Chirac appeared unshaken by the unrest which has followed his budget cuts, necessitated by economic convergence for EMU.

The summit was also something of a watershed for Britain. Despite Mr Major's warnings, there was a new tone of British realism, giving cause to believe

that even he recognises Britain may be there too at the start-line in 1999.

For the first time, Mr Major ruled out using the Conservative manifesto to oppose EMU membership in 1999. Even his more strident warnings suggested he knows the coming of EMU is now a reality.

Mr Chirac appeared to have sensed the new British realism, as he put it. Brushing off Mr Major's warnings about a division between those inside EMU and those left outside, as if they were designed only for a Westminster audience, Mr Chirac said: "I have great confidence that Britain will participate in monetary union in 1999."

But there was little doubt the EMU-enthusiasts in Madrid have been shaken by the French strikes. Mr Chirac's denials that there is a connection between his budget-cutting and the

Maastricht convergence criteria sounded hollow and will mean little to the French public, whose protests have been marked by an anti-European tone. Belgium has seen similar protests and German concern about sinking the Mark into a weak single currency has also brought to the fore a strain of Euro-scepticism.

It is against this background that European leaders will try to gain credibility on the streets for EMU by preparing the public, commerce, industry and banks. The European Commission is gearing up for an education campaign in schools and on television to win public support for the single currency.

Yesterday Mr Major sneered at the Commission plans, but the Government would clearly be embarrassed if single-currency campaigns appeared on British television and billboards

in the run-up to the next election and before Britain had decided to join. Germany is to launch its education campaign in spring and other countries will do likewise.

The task is immense. People are asking if sacrifices required to ensure EMU will come about are worthwhile. Government heads hope practical measures, particularly naming the currency, will help convince people they must enthusiastically seize this turning-point. However, so bland was the name chosen, that after Madrid, Europeans might feel even less inspired by the currency revolution.

No European leader spoke of the Euro with joy. As they knew, the more concrete EMU plans become, the more real the prospect of the change, the higher the risk of fear and doubt among ordinary people.

France back on track

MARY DEJEVSKY
Paris

The return to work of railway and local transport workers in France continued to gather pace over the weekend, with prospects for travellers and commuters today looking brighter than at any time in almost a month.

The centre of Paris suddenly came alive with shoppers and sightseers yesterday, as people tried to make up for lost time. Except in the south-west, regional trains should be back to normal today - with free travel for the next few days - and the national rail network is expected to follow tomorrow.

Meanwhile, the prime minister, Alain Juppé, appeared on television for the third time in 10 days in another attempt to explain his welfare reforms. This was evidence of the extent to which, despite having "stood firm" and faced down the unions, Mr Juppé must still re-establish the credibility of his government.

For his apparent victory has neither the real political significance nor even the symbolic value of Margaret Thatcher's triumph over the miners in Britain. The return to work has been dictated by a combination of factors, none of which

constitutes even a tacit admission of defeat. The financial worries of strikers' families is one; overall weariness with the dispute another; and the size of the concessions a third.

But the general sentiment of protest remains very strong. On Saturday, the two most militant unions, the Force Ouvrière and the CGT, managed to persuade almost as many people to demonstrate as had turned on Tuesday. A new day of protest has been called for Tuesday, and there is the possibility that strikes could resume at any time after New Year. Debating the debate, page 14

Boy prince finds life in exile less than charming

MISSING PERSON
No 46: Baby Doc

His father, François Duvalier, had been known as "Papa Doc", a paternalistic nickname he received as a popular black country doctor, a name which later belied the terror of his regime. He called himself "president-for-life", a title he relinquished by passing away in 1971.

When Jean-Claude Duvalier took on the title, he was only 19. His nickname had an even more euphemistic ring to it. They dubbed him "Baby Doc". He had not studied medicine but the name went well with his baby face.

The boy ruled like a prince in the white-painted, fairy-tale presidential palace and he looked like living happily ever after, with his beautiful mulatto (mixed-race) wife, Michelle Bennet. But as he got richer, his people got poorer. They revolted against him and his terrorising thugs, known as the Tonton Macoute, or bogymen. After widespread protests, the couple fled the country on 7 February 1986. Just before dawn, unnoticed by their subjects but watched by journalists at Port-au-Prince airport, they set off for exile in France on board a military aircraft laid on by the country that had long supported him and his father but which was forced, finally, to bow to the popular will - the United States of America.

On their way to the airport, the Duvaliers stopped to dig up Papa Doc's remains in an eerie voodoo ceremony, and to

empty the contents of the Central Bank. Haiti is a poor country and the deposed young dictator got away only with a few hundred million dollars in cash.

Still, a few hundred million goes a long way, even in the south of France, where the

couple settled in idyllic exile on the Riviera, near Grasse. The word was that a courier used to travel every six weeks to Zurich and come back with a suitcase containing \$100,000 in cash.

Jean-Claude was a man of relatively simple tastes. He liked to eat Haitian *lambé* (conch) in the Creole style but Michelle had a taste for lobster, champagne and exclusive designer clothes from Paris. When she divorced him in 1991, she had blown much of the fortune.

His town pad, the Chateau de Théméricourt, outside Paris, which he had bought for £1.2m, was repossessed in 1993, after he failed to meet its bills.

When the local butcher and wine store near Grasse began suing him for unpaid bills, he and his octogenarian mother, Simone, were forced to move out of the Grasse mansion and into a modest bungalow with no telephone, in nearby Vallauris.

His Pakistani chauffeur complained he was not being paid and neighbours reported to police that the four Duvalier dogs were becoming as scrappy as those in the former dictator's own country.

The word was that a certain "Jean" who put an ad on a local grocer's door saying he was looking for work as an odd-job man was the former president-for-life himself.

He is still in France, said to be moving between Haitian friends' apartments in Paris and elsewhere. He was not able to vote in yesterday's Haitian elections, which will put a new face in the presidential palace next 7 February, the 10th anniversary of his departure.

"I think I would like to go back to my country when the security conditions permit," he said in an interview in France's *Journal du Dimanche*. "My personal ambition above all is to work to improve the living conditions of my compatriots."

Phil Davison



Baby Doc: lost his fortune

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Middle East peace: A deal between Damascus and Israel could leave the Palestinians out in the cold

Precise defender of the PLO cause

Hanan Ashrawi is a journalist's dream. She speaks in complete sentences and, at times, you wait for her to add the words "full stop" at the end. The academic arguments and demands for human rights of the PLO's former envoy to Washington match her grammar. They appear to be perfect, unarguable. Why not, you ask yourself, let Hanan Ashrawi write the article?

Why she can even convince a sceptic that the broken-backed "peace process" might yet contain some life, semi-complacent for the present perhaps but capable of future development. And that – given the maintenance of Jewish settlements in occupied land, the refusal of the Israelis to contemplate a Palestinian as well as an Israeli capital in Jerusalem, the virtual exclusion of the entire Palestinian diaspora of up to 3 million souls – is quite an achievement.

The most famous English literature teacher in the world sits in her Ramallah home refusing to comment on the fact everyone knows: that she is to be a candidate for Jerusalem in the 20 January elections for the 33-seat Palestinian legislature. Despite the rumours of nepotism, the growing evidence of tribal loyalties that will divide rather than unite Palestinians, she believes in these elections. "They come within the framework of an agreement that is in-

Hanan Ashrawi tells Robert Fisk in Ramallah of her hopes for the power and effectiveness of the legislature to be elected next month



Prime candidate: Hanan Ashrawi, left, is mindful of the role of women in the elections



Photograph: Nati Hamik/AP

herently unfair," she says. "I'm not saying the legislature is going to be pure and clean and perfect. But elections are one of the instruments of change here and part of self-empowerment. We should use them to the hilt. They can create legislators who can supervise the permanent status negotiations 'on Jerusalem, settlements and refugees'."

Already, Palestinian seats are being divided up on sectarian lines. "But elections are very healthy," Mrs Ashrawi insists.

"And you must not forget two important factors: the role of women and the role of the young – those who have been activists (sic) are also going to make a difference. They will be independent-minded. And I think Hamas (the largest Islamist group, which is boycotting the elections) should run. We should have inclusive democracy, comprehensive democracy. I have told Hamas: 'You are depriving your supporters of the right to representation.'"

And settlements? What of those tens of thousands of Jewish homes spread across the land which we now have to think of as "Palestine", along with their 120,000 Israeli inhabitants? "I don't think the settlers are monolithic. I think there are a considerable number of 'economic' settlers who, with compensation and new housing in Israel, would leave. The ideologues are the dangerous ones, who carry a gun in one hand and a Bible in the other; but even

some of these would be prepared to live in a Palestinian state. But the greatest danger are the hard-line ideologues who have divine dispensation to stay on our land – this is not just a Palestinian problem but an Israeli problem. These settlers are armed and they have the power of life and death over us – and if they go back to their own society (inside Israel), they will continue to act like that."

Hanan Ashrawi knew Yitzhak Rabin as she knows Shi-

mon Peres and she sees his assassination as a product of the Israeli government's miscalculations. "It was political expediency – the Israelis thought they could use the settlers as a bargaining chip in the negotiations with us. We kept predicting that the settlers would become very dangerous, that they would kill Israeli soldiers (who tried to move them). We didn't think they would go to the top. Now that kind of divine settler power is truly lethal."

Mrs Ashrawi muses for a long time on what she regards as the double standards of the Middle East. "No-one who killed an Arab was ever called a 'terrorist' – it was all right to kill an Arab," she says. "But now the one-sided use of the word 'terrorist' has backfired, because the Israelis never believed that their moral 'high ground' would allow a Jew to kill a Jew. There had been all this escalation of rhetoric and verbal abuse [against Rabin] and there had been a very strange marriage between ultra-Orthodox Jews and ultra-nationalist Jews."

Which is why, Mrs Ashrawi says, the settlers are not just a political issue. "Israel cannot have it both ways – to argue about both ideology and political pragmatism. If they want to talk about ideology, they can talk to Hamas. If they genuinely want to talk peace, they have to discuss with us all things based

on international law – and that means settlements and Jerusalem." She says there is an inherent bias against the Palestinians. "But you don't throw out the baby with the bathwater. Our self-interest is legitimate. We've dealt with ideas for so many years. Our dignity lies in controlling the crossing points and securing the sovereignty of our land. We have the strength of argument."

True or not, few Palestinians are in any doubts about the importance of Israeli-Syrian negotiations, and it is here that Mrs Ashrawi sounds a false note. "We encourage the Syrians and if the Syrians and Israelis can make a fair peace, it will help us," she says. But is that really true at the moment? For if Syria signed up for peace before the final Palestinian-Israeli negotiations, it would leave the Palestinians as the only party in the Middle East conflict without a peace treaty, and without international guarantees to protect them. The Palestinians would be out in the cold, with no pressure on the Israelis to move beyond the "interim" phase of PLO "cantons" and a powerless legislature.

There must be many a Palestinian democrat who secretly hopes that Syria's President Assad – however cynically he may be viewed by the PLO – holds out for longer. Mrs Ashrawi will not comment. So you put "full stop" in your notebook.

Budget squabble sparks new US shutdown

RUPERT CORNWELL
Washington

Barring miracles, the second shutdown in a month of the US government will begin this morning, after the scrumous breakdown in negotiations between the White House and the Republican-controlled Congress over how to balance the federal budget in seven years.

No new talks were scheduled yesterday after Republicans had rejected modified proposals from the White House meaning that 280,000 workers from nine cabinet departments and various federal agencies will probably be sent home today for want of a temporary spending bill to keep them functioning. Already on Saturday morning, however, the shutdown was exerting its now familiar and most visible effect, as thousands of tourists found museums and monuments closed.

With more than half of the 13 individual appropriations, or spending, bills for the 1996 budget now approved, the disruption will be smaller than that caused by the previous six-day shutdown in mid-November, when 750,000 government workers were laid off. Judging by the rhetoric, this one could be even harder to resolve.

Despite some massaging of figures, the gap remains large over the two most contentious issues, the size of cuts in the main entitlement programmes like Medicaid and Medicare, and Republican insistence on a tax cut, which Democrats say will primarily help the better-off.

But the main problem is that the negotiators – who left to themselves probably would strike a "split the difference" deal – are prisoners of their followers. With the 1996 election looming, no Democratic President would dare abandon the party's vital minority and labour constituencies and sanction excessive cuts in federal health and welfare schemes. For its part, the Republican leadership cannot ignore the young conservative militants in the House, insisting on unqualified surrender by the White House.

Hence the angry words flying along Pennsylvania Avenue, with Mr Clinton charging the Republicans with waging war on the poor and Bob Dole, the Senate Majority leader and Mr Clinton's probable opponent next year, accusing the President of "spewing garbage" in his distortions of the facts. But compromise did seem in the air again in the other tussle between White House and Congress, over the surrender of notes of a November 1993 meeting between some Clinton aides and the President's lawyer to the Senate Committee probing Whitewater.

The White House says it will hand over the notes if the Senate specifically endorses the principle of attorney-client confidentiality, a step that would avoid a Watergate-style constitutional struggle in the courts.

Peres gambles on renewed Syrian talks

PATRICK COCKBURN

Shimon Peres, the Israeli prime minister, is taking a gamble in restarting negotiations with Syria at a site close to Washington on 27 December. The initiative is risky for the Labour government because of the lack of support for a withdrawal from the Golan Heights, without which peace with Syria is impossible, among voters and in the Knesset, Israel's parliament.

Warren Christopher, the US Secretary of State, announced on Saturday that talks between Israel and Syria on all aspects of a peace agreement are to resume. The US will take a bigger role as a broker between the two sides, a development welcome to Syria, which believes only Washington has leverage over Israel. If the first round of talks is successful, the Israeli press says, Mr Peres will formally tell the Knesset that Israel recognises Syrian sovereignty over the Golan, which it captured in 1967.

Mr Peres believes he can get an agreement in the next three or four months and is sending Uri Saviv, the director general of the Foreign Ministry, as the main Israeli negotiator. However, Ehud Barak, the Foreign Minister, is reported to have told friends: "Everything is

good and well, but no problem of essence has been solved yet, and I am afraid the problems will boomerang like a missile."

Problems remaining include defining the line dividing Israel from the Golan; Israeli ground warning stations on the Heights, which Syria rejects; the extent of the military withdrawal on either side, and the future of Lebanon, dominated by Syria. President Hafez al-Assad of Syria may also doubt if Mr Peres has the strength to get the treaty accepted in Israel.

Likud, the main right-wing party, would much prefer to fight next year's election on the issue of Golan rather than on the Oslo accords with the Palestinians, which are a *fait accompli* and sanctified by Yitzhak Rabin's assassination. Binyamin Netanyahu, the leader of Likud, said the basis for the new talks with Syria was not give and take, but "give and give".

Avigdor Kahalani, the Third Way party leader, which is splitting from Labour over Golan, said he and another member of the Knesset would vote against the government in no-confidence motions. Three religious parties being wooed by the government – the Religious Party, United Torah and Shas – also are opposed to withdrawal and will vote against it.

PATRICK COCKBURN
Jerusalem
and agencies

An Israeli with a video camera filmed the assassination of Yitzhak Rabin, the prime minister, in great detail, Israeli television has disclosed.

"It is a shocking, painful, astounding and enraging film," said Rafi Reshef, a reporter with Israel's Channel Two television who has seen the video.

"They tried to portray a sophisticated assassin, but it seems like any child could have approached Rabin and committed the murder."

The 37-year-old man from Tel Aviv, who is keeping his name a secret as he negotiates the sale of his video, filmed for one hour and 20 minutes in the blocked-off street behind Tel Aviv's town hall, where Rabin was killed on 4 November. Until now it was believed that nobody had filmed the moment of the assassination.

The photographer has put the videotape up for sale at a price of up to \$330,000, his lawyers said yesterday.

Mr Reshef said: "Yigal Amir [the self-confessed assassin] is seen standing behind a plant. He is seen emerging from behind, approaching Rabin, standing very close to him and shooting. Three shots are heard and the flashes can be seen. Then one sees a pile of people on top of Rabin, after which he stopped filming, complying with the orders to lie on the ground."

The film is likely to reinforce the shock of Rabin's assassina-

tion, as did a film which was taken by Henry Zapruder in Dallas in 1963 of John Kennedy being shot. It also fortuitously focuses on Mr Amir for 20 minutes as he waited for Rabin to try to reach his car. His trial starts tomorrow.

The video was given to the police the day after the assassination, enabling them to eliminate suspects all but one of those standing near Rabin when he was shot at point-blank

range as he entered his car. Rabin's widow, Leah, told Channel Two television that she did not want to see the videotape and that the fateful moment would remain with her for ever. "I don't think I want to see the video... because the picture itself as it was, I remember so well and it is so difficult for me."

Asked if other family members wanted to view it, she said: "Some of them want to see

it. I think that the children want to be more prepared to cope with whether or not they guarded him [Rabin] well enough."

Mordechai Kirshenbaum, head of the Israel Broadcasting Authority, told Israel Radio that state television was trying to buy the tape, although it could not bear the cost alone.

"What motivates us is mainly the film's archival value," he said. "It should be in the pub-

lic archive that documents the history of the state of Israel."

The Tel Aviv District Court yesterday turned down a request by Mr Amir's attorneys to delay his trial by 60 days, the Justice Ministry said.

Mordechai Offit, a lawyer for Mr Amir, said the postponement was necessary to give him time to examine evidence against his client but the court said proceedings would start tomorrow as planned.



Assassination flashback: Yigal Amir, the self-confessed killer, being held seconds after the shooting last month

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LCX-500 Micro Hi-Fi System

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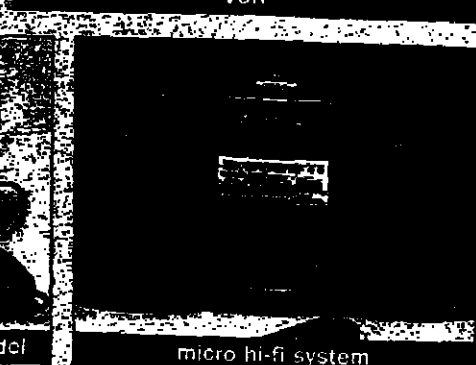
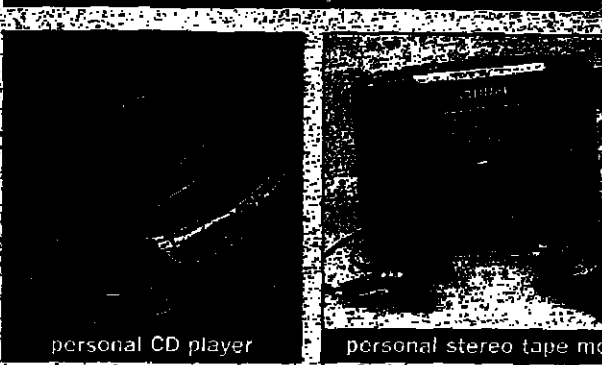
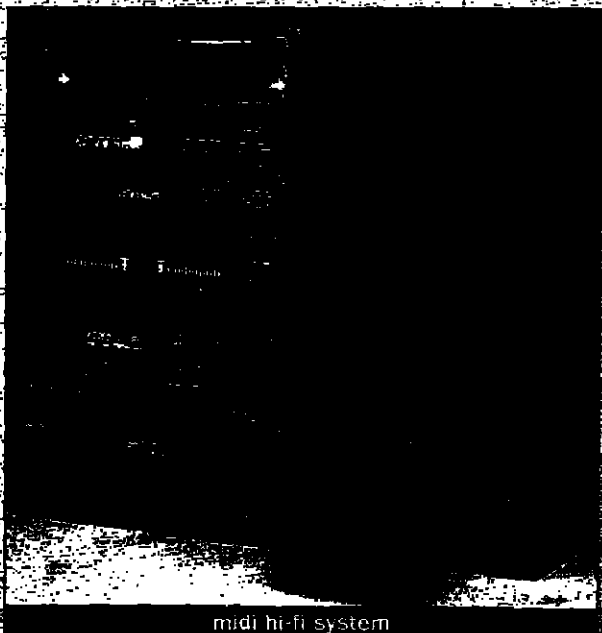
For music on the move, the lightweight XP-R600 Personal CD Player offers great CD sound plus a digital synthesiser tuner with 30 pre-set bands.

The NSX-999 Mini Hi-Fi System is built around a powerful 150W+150W amplifier linked to a tuner, 3-CD auto-changer CD player and a double auto-reverse cassette deck. The speaker system features 3-way bass reflex.

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THINKERS OF THE NINETIES

The feminist against freedom



She is one of America's most influential contemporary thinkers, eschewing the culture of freedom – where the powerful trample the powerless – for a new era of genuine equality. She can't write, but she sure can lecture. She has her enemies, but she has won at least an equal amount of support. **Bryan Appleyard** investigates the woman who is arguably her country's most trenchant sex warrior

Freedom and equality are ideals in perpetual conflict. Freedom generates inequalities; equality restricts freedom. Yet both, variously defined, are seen as essential to the just, democratic society.

In global terms, recent history has made freedom the dominant partner. Communism was an attempt to impose equality and it failed catastrophically. It created a quasi-aristocracy of party members who could maintain their power, impose their version of equality, only by terror. The risk of such a society was too high a price to pay for equality. Freedom had to come first. Equality lost its absolute claim. It could not be demanded, imposed or even too closely defined; it could exist only as a vague, desirable possibility.

For many in the West, this was unacceptable. The ideal of equality was too important to be diluted. Freedom may make us rich, but it could also reward the powerful at the expense of the powerless. Groups that defined themselves as oppressed – women, racial minorities – argued that freedom unrestrained by equality had resulted in them being denied freedom. Feminism and various civil rights movements all amount to demands that present freedom must be restricted to attain future equality.

Catharine Mackinnon, professor of law at the University of Michigan, is currently the most influential advocate of equality. She is an extraordinary figure, inspiring devotion and abuse in equal quantities. Arguably she is the most powerful lawyer in the United States: because of her some lawyers believe feminism will be the most important force in legal debate for the next 25 years. She has inspired state laws against pornography – though they were later overturned as unconstitutional. She has helped to fight a \$4m lawsuit against *Penthouse* because sex was demanded from one of its models and in 1986 she won acceptance from the Supreme Court that sexual harassment was sex discrimination. Wherever the war between the sexes surfaces in American life, Mackinnon will be found.

She is emphatically not a liberal feminist. One of her books is entitled *Towards a Feminist Theory of the State*, indicating that she sees feminism as a doctrine of transformation rather than reform. Indeed, so hard-line are

her views that she has been accused by some more moderate feminists of operating a "sexual double standard" in which sex is good for the man but automatically degrades the woman. A leading American judge, Richard A. Posner, has said she "depicts the United States as a vast conspiracy of men to rape and terrorise women".

Such criticisms are fair in that Mackinnon does not hesitate to present her thought in sensational terms. One of her books begins with the apparent assumption that all women are raped and abused from childhood onwards. And this sensationalism is compounded by her appalling writing. She can scarcely construct a rhythmic sentence. Most of what she writes can easily be misread because of her clumsy syntax, and whole passages of her books are, even after numerous readings, incomprehensible. As a result, much of her popular influence springs not from her writing but from her many years as a visiting professor, delivering vivid, passionate lectures. Her speech seems to overcome the deficiencies of her prose.

Her importance as a contemporary thinker is undeniable. She is a true radical in that she sees the world from a perspective utterly different from that of the legal or political establishment.

Her thought was formed at Yale in the Seventies, when she joined the pioneers of the contemporary women's movement. By 1974 she had become convinced that the law did nothing to correct the inequalities endured by women. At that time she came across the case of *Carmita Wood*, a woman who resigned her job as a result of sexual harassment and was denied unemployment benefit on the basis that she left work for personal reasons.

The case, Mackinnon has said, "exploded in my mind". It encapsulated "everything the situation of women is really about – everything that the law of sex discrimination made it so difficult, if not impossible, to address. So I decided I would just design something."

Mackinnon rejects biological explanations of differences between men and women, insisting they are all socially determined. Equally, she rejects the liberal feminist distinction between sex, which is biologically determined, and gender, which is socially determined. For her, social construction is the

6: CATHARINE MACKINNON

'There is a connection between the silence enforced on women, in which we are seen to love and choose our chains because they have been sexualised, and the noise of pornography that surrounds us ...'

CAREER: Catharine A. Mackinnon began involvement with radical causes at Yale. In the Eighties she defined her thinking as a visiting professor at most of America's leading law schools. She led the fight for the legal claim of sexual harassment and, with Andrea Dworkin, she wrote laws that classified pornography as a human rights violation. Her ideas on equality have been accepted by the Supreme Court of Canada and she is working with Croatian and Muslim women demanding justice for Serbian sexual atrocities.

WORK: She produced her first book in 1979. She has since published *Feminism Unmodified: Discourses on Life and Law*, *Towards a Feminist Theory of the State* and, in 1994, *Only Words*.

LIFE: Mackinnon is 49 and has had what is described as a long-term fiancé – Jeff Masson, a former psychoanalyst who wrote the book *Against Therapy*.

CRITICS: She inspires violent opposition, even from fellow feminists. She is accused of exaggeration and sensationalism, notably by saying that 38 per cent of American women are molested as girls. Her insistence on equality is frequently condemned as Stalinist.



PRIESTLEY

basis of sexual difference and this is imposed by force. "On the first day that matters," she has written, "dominance was achieved, probably by force."

As a result all institutions, legal and political, are infected. The implications of this are perhaps most clearly seen in her attack on pornography. This has been defended in the United States by the First Amendment to the Constitution, which protects freedom of expression. Free speech, however objectionable, however untrue, is guaranteed, and pornography, in these terms, is a form of speech.

But for Mackinnon pornography is an act. A rape simulated for a film is effectively the same as a real rape. This position at once exposes serious problems with the First Amendment. Child pornography, for example, is banned – but why does it escape the blanket guarantee of the Constitution? Because, some would say, it involves coercion and clear harm, whereas adult pornography is consensual and not provably harmful to the participant.

But Mackinnon sees the whole structure of pornography as coercive and unquestionably harmful in that it reinforces the subjugation, the inequality, of women. Pornography incites as

surely as the flaming crosses of the Ku Klux Klan or the rhetoric of racism. Society, she says, is made of language, so the distinction between a vicious act and a vicious word, clearly embodied in the First Amendment, cannot be made.

The insistence on the purely social rather than biological reality of current sexual mores means that phenomena such as pornography are not predestined; they can be changed or eradicated completely. We are, after all, in control of our social destiny. This leads to a strong streak of Utopianism in Mackinnon's thought.

"In a society in which equality is a fact, not merely a word," she writes, "words of racial or sexual assault and humiliation will be non-existent syllables. Sex between people and things, human beings and pieces of paper, real men and unreal women, will be a turn-off. Artifacts of these abuses will reside under glass in museums next to the dinosaur skeletons." In other words, the lack of equality turns society into an abusive, coercive freak show. Equality cannot be diluted in the name of freedom because equality is the only freedom.

Contradictions abound in her work, probably because of the impatient deficiencies of her writing. For example, she insists that soci-

ety is made of language, but then dreams of a day when equality becomes "merely a word".

Even her most conservative critic would have to acknowledge that a phenomenon as pervasive and disturbing as pornography does seem to be a symptom of some radical sickness in society. Her solutions, however, can seem shockingly authoritarian. It is difficult to imagine how the kind of Utopian equality of which she dreams could be imposed without an accompanying apparatus of totalitarian rigour.

But Mackinnon's importance lies not necessarily in the detail or the practicality of her thought. It lies in the way she has prised open a chink in the armour of the culture of freedom. That chink is the way freedom tends towards exclusivity, privilege and the systematic disadvantage of certain groups. Others, spotting the same weakness, have turned to religion or strict, conventional moral authority as a way of blunting the more brutal aspects of freedom. But Mackinnon and her followers turn instead to a new centrality for the concept of equality which will create "a context of respect into which thought can expand, an invitation that gives speech its shape, an opening to a new conversation."

Illustration: Chris Priestley

It is the episode of *Absolutely Fabulous* that Saunders and Lumley never made. How to get your moisturiser when all of Paris is on strike. The latest labour dispute victim is the supermodel Naomi Campbell. The fashion retail magazine *Women's Wear Daily* reports in breathless and outraged tones how the world of *haute couture* has been transformed from fashion victims to strike victims.

First there is Ms Campbell, who sent her driver out to buy her moisturiser. The traffic turned a 20-minute trip into a half-day excursion. The plight of students without lessons, workers without transport and households without post, pales before the thought of a supermodel's skin slowly drying to the passing beat of demonstrating strikers.

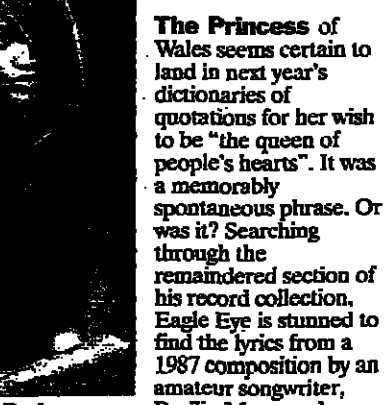
But even this horror is superseded by the toll the strike is taking on society events. The sumptuously named Lady Celestria Noel, it emerges, failed to arrive on time for the Paris Debutante Ball, an event the strikers had shamefully neglected to exclude from their action.

And with the horror and distaste that one can imagine *Absolutely Fabulous*'s Patsy expressing, some of Paris's *beau monde* are, for the first time in decades it seems, having to walk. *WWD* holds the front page for the shocking revelation that Dreda Mele, director of Giorgio Armani in France, had been "forced to walk" from apartment to office, a full 30 minutes' hike.



The language of the fashion/strike victims is suitably apocalyptic. "It's Sarajevo over here," says Chanel's Karl Lagerfeld, meaning, one assumes, that he also had to hoof it to work.

But the troubles are not without their opportunities. An enterprising strikebreaker of the Nineties could hire Zola-esque street urchins to run around the city fetching moisturisers for the rich and fragile before massaging their aching feet.



The Princess of Wales seems certain to land in next year's dictionaries of quotations for her wish to be "the queen of people's hearts". It was a memorably spontaneous phrase. Or was it? Searching through the remainder section of his record collection, Eagle Eye is stunned to find the lyrics from a 1987 composition by an amateur songwriter, Basilio Magno, who lives in Spain and is now 72. It is entitled *Sweet Lady Di* and includes the phrase: "She'll remain a queen in every Briton's heart."

Magno tells me he sent a copy to Princess Diana in 1987. Her private secretary showed it to her and reported back that "she found it very cute". And, as with all the best songs, could not, it seems, get it out of her head.

Comforting to know it's not just British Rail that can't cope with cold weather. A passenger on a British Airways flight to Switzerland was delayed for several hours at Heathrow while the plane was de-iced. However, the pilot kept on saying that it was not the airline's fault, but that of the British Airports Authority, which had only three de-icing machines at its disposal at Terminal One.

"Not our responsibility," says the man from BAA. "BA de-ice the planes; we keep the runways clear." When the machine eventually turned up, the pilot then shamelessly had to say: "You won't believe this, but the wrong fluid has been used and the whole process has to start again." The plane took off more than three hours late.

Never underestimate the malleable properties of traditional institutions. Sotheby's, the 251-year-old auction house, has decided it's time for a change. It has hired corporate redesigners from New York to revamp its colour schemes worldwide.

"For well over a decade different colours have defined the different branches," explains a spokesman. "In London, the colour has been green; in New York, it has been grey and in Europe (other than London) it has been a greeny-grey." Now, in keeping with what the Sotheby's image gurus dub the auction house's "worldwide leadership" role, all branches are to sport a more dominant and expressive "reflex blue".

I hope the redesigners will not be submitting too large an expenses and travel claim. They came across their new colour in an Yves Klein painting, which hangs in New York's Museum of Modern Art.

My tame professor of statistics at Neasden University (formerly Dollis Hill Polytechnic) has been monitoring the regularity with which topics appear in national newspapers. He spotted an 18 per cent fall in giraffe stories in the national press this year compared with last. Delving further, he found, in a basket of British dailies, a massive 47 per cent rise in ostriches, attributable to the increased popularity of ostrich farming and the zero-rating of edible ostrich products by the VAT men.

He concludes: "The past three years' ostrich figures of 186, 237 and 348 indicate exponential growth. While beef stories (thanks to mad cows and McDonald's) have passed the 3,800 level for the first time, the rate of increase is slowing and should peak next year. Extrapolating these figures into the next millennium, we predict that ostrich will have overtaken beef by 2002, barring any unforeseen outbreak of mad ostrich disease or libel suits connected with ostrichburgers."

Christmas-card watch: searing social comment from the British Library. The card from its director, Brian Lang, this year features a number of whitish elephants. The picture is a watercolour by the 19th-century Indian artist Sita Ram, sporting possibly the longest and least memorable title in the history of art: *Illuminations at the Palace of Farhat Baksh, Lucknow, on 27th October, 1814, during the state banquet given by the Nawab of Oudh, Ghazi al-Din Haider, for the Governor-general the Marquess of Hastings*. Next to the elephants are a mass of the local populace clearly wondering what is going on within the walls of the lavish building and why it is taking so long. The British Library's sense of irony is consummate.

Eagle Eye

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Generation Why

by Tony Reeve and Steve Way



PHEN! I MADE IT. LUCKY THIS OLD LAMP BROKE MY FALL. IT'S A BIT DULL, MAYBE I SHOULD GIVE IT A POLISH...



I AM THE GREY GENIE OF THE DULL LAMP AND I WILL DO YOUR BIDDING, OH YES...



IT WOULD NOT BE PRUDENT TO SPECIFY EXACT NUMBERS OF WISHES AT THIS TIME, BUT I REMAIN IN PRINCIPAL THE GENIE OF HIGH WISH GRANTING...



WOW! DO I GET THREE WISHES?



INDEPENDENT

FOUNDED 1986

ONE CANADA SQUARE CANARY WHARF LONDON E14 5DL
TELEPHONE 0171-298 2000/0171-345 2000 FAX 0171-293 2435/0171-345 2436

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Debasing the European debate

The close of the European Union's summit in Madrid at the weekend has demonstrated the tragic width of the gap that separates the reality of Europe from British perceptions of it. No sooner had the EU's leaders reaffirmed their intention to proceed with the creation of a single currency in January 1999, and to call the currency the "Euro", than the chorus of blinkered Europhobes rose up to denounce the project as a plot against British institutions and the British way of life. It was not only absurd but also offensive to hear one Conservative backbencher on television compare monetary union to "the Fourth Reich" on the march.

John Major did not help matters by sneering at the choice of Euro as "uninspiring", and arrogantly likening his EU partners to lemmings tumbling off a cliff. Did that really sound like a leader determined to place Britain at the heart of Europe, as he promised at the start of his premiership?

The EU wants to make a success of monetary union, not because it has conceived some devilish plan to expiate ancient British freedoms, but because it sincerely believes this is the best way to secure prosperity and stability across the whole of Europe. The German political classes, far from seeking to rule Europe by means of a single currency, regard monetary union as the most effective way of binding Germany into Europe, laying to rest fears about German power, and pooling Germany's strength for the greater benefit of the EU. Germany's worst fear is that if there is no single currency, the mark will dominate the European economy even more than it does

today, sparking what could eventually be a very dangerous anti-German mood in the rest of the Union.

None of this means, of course, that there are not serious doubts about the way the EU is moving to monetary union. By shacking itself to the January 1999 deadline, the EU runs the risk of launching the single currency at a time of stagnant economic growth, high unemployment, unpopular deflationary policies and a widespread sense of insecurity among many millions of Europeans. The lack of public enthusiasm in Germany for monetary union, and the recent social disturbances in France and Belgium, caused partly by government attempts to meet the Maastricht treaty's conditions on low budget deficits, are problems that cannot just be wished away. Moreover, the EU has been too slow in addressing the difficult question of how to manage relations between those countries in the single currency and those outside.

Mr Major raised such points in Madrid, but he would have received a far more attentive hearing if Britain's EU allies viewed the Government as a constructive partner in tackling the challenges facing Europe. Instead, the whining tone of British negativism has caused our allies to shut their ears even when we have a sensible case to put forward. John Redwood's latest attacks on the most pro-European cabinet minister, Kenneth Clarke, make it even less likely that British views on monetary union will be carefully considered in Europe. This country is being forced to pay a heavy price for the continuing Tory division over Europe.

An obsession with opting out

John Major and Gillian Shephard are old buddies, each with seats in East Anglia. Mrs Shephard, Secretary of State for Education and Employment, has repeatedly said that she is happy for Number 10 to play a big role in shaping education policy. But in one significant area, at least, these closest of political allies are at odds.

The problem is the Prime Minister's obsession. He desperately wants to increase the number of self-governing schools. And he seems incapable of accepting reality: that most parents do not, in fact, want their schools to break away from the local council.

This fixation is becoming serious. It is now clear that the Prime Minister is prepared to ride roughshod even over the opposition of many parents. His latest idea is to let church schools break away merely on their governors' say-so, without holding a parental ballot. In short, to get the numbers up, Mr Major would junk a key principle underlying opting out — that it should reflect and increase parental choice. He would discredit a policy meant to liberate schools and parents.

The Prime Minister's zeal is understandable. Opting out can, indeed, offer schools a chance to free themselves from what can be the dead hand of council bureaucracy. But it is not genuinely optional for parents, then it loses its Tory raison d'être.

And Mr Major's plan is politically inept. The churches do not like it: their schools already enjoy considerable autonomy and most do not want any more distance from their local council. In the past

school year, 15 out of the 4,000 voluntary-aided or church schools conducted ballots of parents, and of those only six voted to opt out.

Mrs Shephard for her part has spotted the storm ahead and is against changing the balloting rules. But she has been unable to convince her boss to swallow his pride and drop his controversial proposals.

So why is Mr Major persisting with an unpopular policy shift that could have bishops denouncing him from their pulpits? Because he now realises that school self-government is unlikely to take root in the school system before the general election. So far, only one in 24 schools has opted out and only a trickle are in the pipeline. Mr Major is a politician in a hurry, worried that Labour will take power and kill the self-government ideal.

He is behaving like many of his predecessors. Labour and Tory, who were too desperate to leave their own institutional mark on the education system. Like them, Mr Major suffers from the illusion that you cannot improve schools unless you reorganise them.

He is mistaken: there are many other ways to raise standards. Instead of flogging a policy that does not want to run, the Prime Minister should listen to Mrs Shephard and instead concentrate on developing schools in their present framework. He could start by trying to raise morale among dejected teachers. The best start would be a period of stability in schools as we come closer to the election, instead of questionable organisational change that an alternative government would quickly unstick.



LETTERS TO THE EDITOR

Brixton: the part played by police in a protest-turned-riot

From Mr Jamie Elliott

Sir: At 10.30pm on Wednesday evening in Brixton, I was coming home from a quiet drink in Coldharbour Lane. A friend and I cut through Ruscroft Road to avoid the brewing trouble. The street was virtually deserted but, as we approached the junction with Effra Road, relative calm was broken by hundreds of riot police surging from Brixton Road towards Brixton Hill. A sizeable section of this force then wheeled in our direction, blocking the exit of Ruscroft Road, charging towards the handful of pedestrians in their path, screaming at us to "move". We ran, but not fast enough, and I felt a sharp pain in my back as I was struck by a police baton.

Blind panic was soon replaced by outrage and disbelief at what had happened. If the Met's behaviour left a white middle-class adult in a secure job feeling such anger and hatred towards the police, how much worse an impact must it have had on my young black neighbours?

Yes, there were inflammatory speeches at the initial demonstration and, yes, there was a criminal element involved in the looting, but I am convinced the scale and brutality of the police response was in no small part responsible for the escalation in violence.

Yours sincerely,
JAMIE ELLIOTT
London, SW2
15 December

From Mr Joseph Smith

Sir: One can see from the tenor of discussions following Wednesday's tragic protest-turned-riot that peace will not be forthcoming.

Attention remains focused on members of the black community, who are held fully responsible for the riot. However, criminalising black anger is not a good way to begin a constructive dialogue.

Authorities seeking a rationale for the anger that sparked the riot should stop pointing fingers. For instance, why isn't the death in custody of Wayne Douglas included as an incitement? In the aftermath of that tragic death, a more reasonable authority might have suggested a lower police profile on Wednesday.

Deploying large numbers of police in full riot gear is definitely an incitement. Isn't that a sign that the police are itching for a confrontation? Your timeline ("Angry words that ignited the tinderbox", 15 December) shows that trouble erupted after police in full riot gear tried to block protesters from disrupting traffic. Unfortunately, someone decided that a sit-down demonstration was too much to tolerate. That decision ended with a full-scale riot.

Sir Paul Condon's remarks about a "criminal element" don't play too well, as he is on record as viewing the whole black community as inclined towards crime. Why hasn't he resigned?

Focus remains on the strong words of Rudy Narayan as the key to the riots. He offers an obvi-

ous target. However, the actions that followed his strong words were a march and a sit-down demo. It took police action to turn the situation into something bigger. What harm would have come from letting the protesters express their anger, even if that meant several hours of noisy chanting and blocking traffic? With no resistance from police, the marchers would have gradually grown tired and dispersed.

Peace will come to communities like Brixton only when the grievances of the black community are given serious attention. Everything about the handling of Wednesday night's demo shows that we have a long way to go in this regard.

Yours faithfully,
JOSEPH SMITH
London, W4
15 December

From Ms Jo Gardiner

Sir: Recent images of Brixton have focused attention on one community ("Alienated youth still harbour deep grudges", 15 December). But the Brixton riot should be seen as more than "a little local difficulty". Politicians and community leaders cannot afford to ignore the fundamental issues that lie behind violence.

Nationally, young people are marginalised and disaffected. Industrial Society research shows that young people aged between 12 and 25 are articulate and self-motivated, but display an alarming pessimism about

future social values and employment opportunities.

There is no point in asking people to behave responsibly when they can see no opportunity to make a valued contribution. Long-term partnerships between all stakeholders will do more to tackle the causes of destructive cynicism than short-term measures aimed only at the symptoms of disenfranchised youth. Until we listen to young people, and create opportunities for them to use their energy to more positive ends, we will never benefit from their creativity and idealism.

Yours faithfully,
JO GARDINER
2020 Vision
Industrial Society
London, W1
15 December

From Ms Sue George

Sir: I was incensed by your "witty" crossword cartoon about Brixton (15 December). It panders to the prejudices of people who have never actually been there and imagine it is a dangerous ghetto where white people venture at their peril. Brixton, in reality, is a lively, exciting and friendly place to live.

It also trivialises the problems of thousands of young men in Brixton and elsewhere, who can see no hope for the future and whose very lives seem to be expendable.

Yours faithfully,
SUE GEORGE
London, SW9

Tumim's good judgement

From Lord Hunt of

Llanfairwaterford
Sir: I don't always agree with the views expressed by Polly Toynbee but, for what little it is worth, I would like to support most strongly her article today ("Man enough for poisonous porridge", 13 December) about the treatment accorded by the Home Secretary to Judge Stephen Tumim, lately Chief Inspector of Prisons.

I would wish to plant a small personal flag beside the standard hoisted by the judge, in his courageous and persistent campaign for a more constructive policy in regard to the treatment of prisoners. There is no need for me to add to the ominous warnings bearing upon the prison population in particular, and society at large, which may result from the pursuit of Michael Howard's negative attitude towards crime in the community, and the treatment of offenders in our prisons. Stephen Tumim's warnings are based on more up-to-date information than I have, but I believe they are as relevant as they were when I was first involved in the criminal justice system nearly 30 years ago.

Sooner or later, these policies will have to change — or God help democracy.

Yours sincerely,
JOHN HUNT
Aston, Oxfordshire
14 December

The writer was the first chairman of the Parole Board, 1967-73.

Why the measures were topped up

From Mr Andrew Barr

Sir: We now know that the Government believes that it is safe for us to drink slightly more each day than it has been telling us to raise for eight years, and that most doctors disapprove of the change ("Advice is out of step with medical opinion", 13 December). Now we know why they dislike it.

In his letter of 15 December, Professor Pritchard of the Institute of Alcohol Studies the educational arm of the United Kingdom Temperance Alliance — claims that "There is much evidence to suggest that alcohol problems in society rise in proportion to the overall level of consumption". Well, if you believe that, you probably also believe

you can reduce the damage done by alcohol by persuading people to drink less on average — by keeping their consumption below a notional "safe limit". That is what doctors believe, and that is why they set the "safe limit" at such a ludicrously low level that the Government has been embarrassed by all the research about the link between moderate alcohol consumption and a reduced risk of heart disease into changing them. Yet it has never been proved that a direct link exists between the number of alcohol-related problems and the average level of alcohol consumption in any given society, nor even explained why such a link should exist.

Yours sincerely,
ANDREW BARR
London, NW6
15 December

The writer is author of "Drink: an Informal History".

From Mr Simon Martin

Sir: If the Government really thinks that alcohol is worth promoting as a recreational drug because it helps to prevent heart attacks, why doesn't it have the courage of its convictions and make it available on prescription?

Yours faithfully,
SIMON MARTIN
Guildford, Surrey

Euro vision

From Mr K. R. Lewington

Sir: So, the top political heads of Europe have concluded that the new single currency should be named after a prefix. Does this mean that we will have to alter a range of titles in current use: take the Poundstar trains to Paris and Brussels; *Francrash* (Channel 4); *Markphile* (Radio 4); and the *Pescevision Song Contest*?

Yours faithfully,
K. R. LEWINGTON
London, SE19

Party spirit

From Mr Michael Cooke

Sir: Paul Staines asks for a bit of tolerance and common sense when dealing with noisy parties (Letters, 15 December). This is a plea often made by Environmental Health Officers (EHOs), who are responsible for dealing with complaints about noisy neighbours.

The Government's proposals to introduce a system of fixed penalty fines to deal with noise nuisance have had a mixed reaction. Many people who have to suffer regular and interminable noise from anti-social neighbours welcome a measure that they believe may help them to enjoy some peaceful nights. EHOs are less enthusiastic, as the scheme has certain technical difficulties and will certainly not solve the problems in most cases.

The number of complaints about noisy neighbours has risen dramatically over the last 10 years. Before an EHO will take action, he or she has to ascertain that the noise constitutes a nuisance, ie that it is sufficiently loud and regular as to disturb sleep patterns and present a risk to health and well-being.

One-off parties do not necessarily constitute such a nuisance, and it is unlikely that an EHO would contemplate taking action in the case of the occasional loud party on New Year's Eve. There may well be occasions when a fixed penalty fine or confiscation of music systems may be appropriate to prevent abuse of people's right to peace and quiet. At the same time, everyone has the right to enjoy themselves. What is required is tolerance, common sense and neighbourliness on all sides.

Yours faithfully,
MICHAEL COOKE
Chief Executive
Chartered Institute of
Environmental Health
London, SE1

No gift intended

From Mr John W. Sowers

Sir: I am writing on behalf of my mother, granddaughter of Mikhail Petrovich Botkin, mentioned in your article of 15 December ("Master forger's legacy goes on sale"). Your article states that M. P. Botkin bequeathed "his magnificent collection of medieval and Renaissance art" to the Russian Museum in 1917. This is not the case. M. P. Botkin died in 1914 and his wife had the collection packed and handed "for safe keeping" to the cellars of the Hermitage.

The Byzantine enamels were placed in my grandmother's safe and, after the October uprising in 1917, the enamels and the collection were confiscated by the Soviet authorities. My mother, who is still alive, remembers many items from the collection, as she spent the war years in her grandparents' house in St Petersburg.

Some items from the Botkin collection were sold in the Thirties and appeared in Paris. The most well known piece is probably the "Barbarossa Armlet", which found its way into the Hirsch collection and was sold at Sotheby's in 1978 to the Germanische Museum in Nuremberg.

We are writing in the hope that this collection will remain intact and be put on display in Russia, and not split up and sold piecemeal, which could be its fate in these difficult times in Russia.

Yours sincerely,
JOHN W. SOWERS
Gerrards Cross, Buckinghamshire
15 December

Letters should be addressed to Letters to the Editor, and include a daytime telephone number. (Fax: 0171-293 2856; e-mail: letters@independent.co.uk) Letters may be edited for length and clarity. We regret that we are unable to acknowledge unpublished letters.

Where does Uncle Jim go in the summer?

Every year at Christmas time the British tend to go for long walks in the country, if only to work off Christmas lunch, and they look around them and say: "What a pity there isn't much in the way of nature to see." No nature to see? Nothing could be further from the truth! There is plenty of wildlife around if only you know where to look, as this story featuring our ever-popular naturalist Uncle Jim will show.

It was Boxing Day, and Sally and Peter were out for a wintery ramble with their ever-popular Uncle Jim. Going for a stroll with Uncle Jim was an education in itself, as he seemed to notice things that nobody else ever spotted!

"Do you think we'll see any flowers out at this time of year?" said Sally.

"Don't be silly!" said Peter. "Flowers don't come out at Christmas time, do they, Uncle Jim?"

"Mummy's hyacinths that she put in the airing cupboard have come out," said Sally defensively, "and they've got daffodils in the flower shop already."

"They're special garden flowers," said Peter scornfully. "Gardeners can make special garden flowers come out any time, but you won't see any wild flowers now, will you, Uncle Jim?"

"Gorse flowers all year round," said Sally, "and so does white dead nettle."



MILES KINGSTON

"If it's dead, it doesn't count," said Peter.

"It's only called dead nettle," said Sally. "It's only a name. It doesn't mean it is dead."

"Then why is it called dead nettle?" said Peter.

Uncle Jim hadn't said a word so far. He hadn't needed to. Generally he found on these nature walks that the children prattled away so easily that he was hardly called upon to contribute. It was one way of acquiring a reputation for knowledge.

"When flowers are brought from abroad," said Uncle Jim, "they often come from countries which have their summers at different times from ours. South Africa, for instance. They have summer when we have our winter. So when a South African flower is brought to England, it doesn't know when to flower. Should it do it in our summer — or when it's summer back home?"

Uncle Jim didn't know the answer to this, and just hoped neither of the two boys would ask him.

"And what do they do, Uncle?" said Peter.

When you don't know the answer, change the subject, was Uncle Jim's motto.

"Another odd thing that happened this year was that because of all that warm weather we had in 1995, a lot of flowers came out before Christmas that usually come out afterwards," said Uncle Jim. "Things like forsythia and such like. Now naturalists are waiting to see if they will or not."

"And what birds go in winter, Uncle Jim?" asked Sally.

"I don't know," said Uncle Jim, gritting his teeth and resisting a strong impulse to clip Peter round the ear-hole. "I just told you — naturalists are waiting to see if they will or not."

"Whatever gave you the idea that they go anywhere?"

"Well, you never see any birds in winter," said Sally. "I mean, you see the occasional crow or magpie, but that's about it. And you should really see more birds in wintertime, not fewer!"

"Why?" said Uncle Jim.

"Because there's less cover. In summer all the trees are covered with leaves but in winter they are bare, so birds have nowhere else to conceal themselves. But we can't see them. So where do they go?"

"In evergreen trees," said Uncle Jim decisively.

"Which evergreen trees?"

"Any they can find. If you look in an evergreen tree in winter, you'll find hundreds of birds sheltering from the cold and hiding from our view. They lurk in the evergreens and play with their new Christmas toys and chat about the summer and lay bets on whether it will ever come back again."

Peter and Sally looked at each other behind Uncle Jim's back and grinned. The old boy was going bonkers. Still, it was always one of the great joys of Christmas, taking Uncle Jim out for a country walk when he had an almighty hangover and seeing how far they could wind him up.

"Uncle Jim, why is a sewage farm called a sewage farm?"

"Good question, Peter," said Uncle Jim, thinking to himself — yes, why is it called a sewage farm?

Tomorrow — yes, why is it called a sewage farm? And why Uncle Jim come up with an answer?

سكرا من المرحلي

John Ashworth explains how the blindness of colleagues and the intransigence of the Government have forced him out

Why I am quitting as head of the LSE

Just over a week ago, the Committee of Vice-Chancellors and Principals (CVCP), a little to my embarrassment as a member, refused to listen to a promised speech by the Minister for Higher Education, Eric Forth. Instead they sent a message via a senior civil servant: "Either we get more money to teach our students or we must reduce their numbers."

The committee was incensed that no one had seemed to notice or care about the cuts imposed on the universities in this year's budget – amounting to some £500 per student per year for the next three years.

The very future of the British university system is at risk. Yet no one seems to be prepared seriously to address the problem. For me, it has come to the point where I no longer feel able to remain at the head of one of Britain's – and the world's – leading universities in such circumstances.

The crisis – for that is what it is – has been a long time coming. In 1990, I chaired a working party of university vice-chancellors and polytechnic directors that considered the implications of the expansion of higher education. It concluded that if the Government wanted expansion to continue, then it would have to rethink the way in which higher education was funded.

"Simply to continue with present policies will lead to a demoralised, poor-quality [higher education] system which will be incapable of meeting the real needs of society," we predicted. "Wait and see is not a viable option."

Tragically, the Government did not such rethink. First it waited while the expansion continued, then it stopped the expansion. What we now see is a demoralised system of declining quality with restricted access.

The committee has decided

to call a special meeting next February to discuss which of two options it intends to recommend to deal with the crisis we predicted. One option is to reduce the number of students. The other is to ask those students who currently do not pay for their tuition to make a contribution towards it.

Until now everyone has opposed the latter, but there are signs that some are shifting their view. This has to be a good thing.

Reducing numbers is not an option. The expansion of higher education, and the greater opportunity thereby given to so many young people to obtain good jobs is one of the great achievements of this government. Cutting off those opportunities should be the last, not the first, resort of those who profess to be educators.

The other option would address the real mistake made in the past decade – which was to sanction the expansion of university places without ensuring that there was in place an appropriate funding mechanism. The Education (Student Loan) Bill currently in committee in the House of Commons could begin to remedy this if Parliament takes the opportunity to improve the details of the loan scheme itself and also allows the loans to be used for the payment of fees.

Until recently, the CVCP has been reluctant to agree to this. But opinions are changing fast under the pressure of the financial crisis that confronts us. The committee now supports a student contribution towards tuition fees provided they have access to a fair and equitable income-related loan scheme.

This represents a significant change of heart since 1993. When I suggested that the LSE introduce a "top-up" student contribution fee the idea attracted only nine votes out of a possible 700 or so in the LSE's academic community



and caused a breach between us that has never really healed.

Two years on the picture is rather different. Now a direct contribution from our students to the cost of their education seems the key to institutions such as the LSE obtaining the resources they need to provide a world-class education. A new scheme, of course, needs to be equitable, fair and to preserve opportunities of access to all able to benefit.

I believe that can be done. It would certainly not be difficult to improve on the present situation. It is only full-time British and European Union students who have their fees paid wholly by government grants. There are around 1.5 million British

students currently at our universities; of these, one-third are studying part time and therefore pay their own fees, as do those students from countries outside the European Union.

Fees for British and EU undergraduate students in classroom-based subjects are set at £750 for this academic year. At the LSE the rest pay £7,800. Even when allowance is made for the grant that comes to the college from the Higher Education Funding Council for England, one set of students pays in direct fees at least three times what the British government pays for the others.

This is highly inequitable and the manifest unfairness is



The London School of Economics and its director, the CVCP, face the challenge of raising education, or to charge students, he says

know what is the international meaning of "excellence". But if we lose touch with that standard, then British degrees will sooner or later become devalued. This will happen unless those universities in a position to do so, such as the LSE, keep their international reputation.

Sadly – and with considerable reluctance – I have come to the conclusion after 16 years as head of two universities (at the University of Salford before the LSE) that this cannot be done unless the students and/or their families make a direct contribution.

The universities have explored other alternatives. Both at Salford and at LSE I have established and persuaded my colleagues to support fundraising campaigns to obtain more research grants and contracts. The strategy has had some success: the LSE Foundation has raised £7m in its first 18 months and the university's research income went up by 23 per cent last year. We have also set up short course activities, commercial companies and established external study programmes, all of which have yielded significant profits.

Our reward is to be faced with ever-declining public funding. If our British and EU students want an education that is better than can be provided on this funding then they, too, have to begin to make a contribution to our costs.

We should ask them to do so.

The universities have the power. They are still autonomous institutions: it is only a convention that they allow the Government to dictate their fee levels. I have long made clear to my colleagues that in my view charging is preferable to rationing and that we should act while we still have something worth protecting.

The Government will not do it: it has a different agenda. My colleagues (both at the LSE and some still on the CVCP) deeply dislike what is, admittedly, an unattractive solution. They have not wished to hear.

That is their privilege and their problem. Come September, it will cease to be mine. I shall be leaving the job to others. I hope that in February my colleagues in the CVCP will prove that they are not willing to preside over the degradation of institutions that were once among the best of their kind in the world.

Travelling with égalité and fraternité

Three weeks in Paris with no public transport brought out peculiar patterns of behaviour – and odd modes of dress

As Paris commuters rediscover their buses, trains and metros this morning, many will probably vow never again to complain when the service is late, or full, or less than spotless. For a few days, at least, they will be pleased just to have it there.

However, perhaps the experience of the past three weeks should not be banished so quickly. For it offered something that no one in their right mind, not even the most dedicated transport economist, would have dared even to propose: a real live experiment in what happens when a capital city in the developed Western world is deprived of all its public transport. How does it, how can it function?

Last week, just before the first cracks in the transport strike opened up, the Paris regional authorities decided this was a question worth asking and set up a special committee to consider what "lessons can be learnt before this unique situation is at an end". Well, here from one observer – who is leaner, fitter and newly qualified in the science of comparative walking times around Paris – are some tentative answers.

Parisians are often regarded as the least sociable and community spirited of people. But within the first week, even they had generated an admirably co-operative approach to the challenge of getting into and around their city. With everyone reduced to the same common denominator, a sort of primitive transport communism began to develop.

After a few days it was rare to see

a car with only the driver in it: car-sharing became the norm and hitchhiking respectable. People of all ages and apparent income groups could be seen standing at the roadside holding up handwritten destination boards.

Into the second week, "primitive communism" started to give way to "proto-public transport". Hitchhiking and car-sharing were now so developed that acknowledged "stops" had been established at crucial intersections. Some drivers, and even motor cyclists, left notes on their windscreens when they parked, saying when they would leave and their destinations.

But better use of the private car and generous parking arrangements came nowhere near to solving the problem. As public transport campaigners the world over could have predicted, the result of even rationalised car use was gridlock.

There were mornings when the traffic jams in and around Paris totalled more than 350 miles. Journeys which had taken 20 minutes on the suburban railway took three and four hours. Peak time for jams became earlier and earlier – to 5am – but then, so did the evening rush-hour.

In the last week, a sort of equilibrium was achieved. The jams were reduced to an average of 125 miles. Those still driving had made their call: restaurants, theatres, cinemas and exhibitions suffered crippling losses. If there had been a longer strike, many of the facilities that make a city attractive could have been threatened.

Cost, indeed, was an element significantly missing from the "great strike



MARY DEJEVSKY

Fewer than 25 per cent of Paris workers took even one extra day off work during the strike

transferred willingly to the infrequent commuter buses and boats provided since the second week by the city council. Others had taken to bicycles, motor cycles, roller skates or walking. Still others – but surprisingly few – took work home or stayed away: fewer than 25 per cent of Paris workers took even one extra day off work during the strike.

What they did, however, was to concentrate their energy on the one task of getting to work. City-centre shops, restaurants, theatres, cinemas and exhibitions suffered crippling losses. If there had been a longer strike, many of the facilities that make a city attractive could have been threatened.

Cost, indeed, was an element significantly missing from the "great strike

experiment": not only the cost to business, but the comparative cost of travel. The alternative transport was free but inadequate; parking was also free, but difficult. If the usual regulations had been in force, more people might have chosen alternatives: more likely there would have been mass disobedience.

One of the predicted horrors of greater car use, however, seemed not to materialise. Pollution levels in the city were lower than at many times through the summer, thanks, it is said, to benevolent air currents. Before drivers persuaded themselves that the weather has a greater effect on pollution than car use, though, they must answer environmentalists who say that measurement methods underestimate the "close-up" pollution experienced by pedestrians and cyclists. They want calculation methods changed.

There was one unambiguous benefit from the lack of public transport. Crime in Paris fell sharply. Increased street patrols following the bombings may have helped, but the closure of the metro and suburban railway undoubtedly limited opportunities for bag-snatching and mugging. The reported instance of such crimes was 25 per cent down on the one last year.

The question now is how far the positive effects of the strike will persist, or can be helped to persist, beyond its end. Unfortunately, the possibilities seem limited. Crime is bound to increase now that the metro and suburban lines have reopened. The more "rational" use of cars will

beginning to rankle. An American student working his or her way through the LSE might accept, for example, that she should pay three or four times what a British student is charged for the same course. But why should they also subsidise a German, an Italian or a Greek? And should a Bangladeshi from a poor family

subsidise a Belgian from a rich one? A funding system which, on average, transfers resources from the poor to the rich does not fit my definition of equitable or fair.

But the real issue for me as director of the LSE has always been excellence rather than equity. LSE is one of the world's leading universities and

my primary duty is to maintain that position. Keeping up with the best in the world is expensive as well as difficult. Securing the best teachers, the best libraries and the best facilities, particularly computer-based information technology resources, is very expensive.

Other institutions have other missions and other purposes. For them keeping up with the international competition may not be so important. For the LSE it is vital. It is also vital for standards in British universities in general that that some of the nation's universities stay among the world's best.

As long as Britain has some institutions that are genuinely centres of world excellence, the rest of the system has a benchmark against which to measure itself, and our students will know that they are being taught by those who

probably decline as swiftly as it developed: drivers and passengers alike have emphasised the problems of coordinating departure times and the need to do errands along the way.

The number of people walking will also fall when there are quicker alternatives. Cycling, however, which is a popular recreation in France but poorly provided for in the cities, is seen as a potential area for development, as are the river buses. Jean Tiberi, the mayor of Paris, announced on Friday that both would be studied.

But their potential is handicapped: river buses, as their passengers have discovered, are slow and the destinations limited. Cycle routes will take time to develop: Paris has grand boulevards, but few parks like London's. There is also the paramount question of dress. It took almost three weeks to coax Parisians into anoraks and trainers for their new travel conditions, and unless more employers provide showers and lockers, their staff will probably relegate their cycling to weekends once the strike is well and truly over.

But if, in 10 years' time, Paris boasts cycle routes to rival Amsterdam and water buses to rival Venice, and its car drivers are just a little more considerate, then perhaps the suffering of the past three weeks was not entirely in vain. And next time the London Underground seizes up or British Rail chokes on the wrong kind of snow, think of Paris in December 1995 and imagine what would happen if the whole transport system shut down.

ANOTHER VIEW David Jenkins

Separating the nativity from the naivety

Earlier this month, I had the disturbing thought that we Christians would never be able to put across the true meaning of Christmas until we had suppressed children's nativity plays. I put the idea to a meeting of clergy in inner-city Leeds. How, I asked, are we to get it over: that Christmas is not a fairy-tale?

None of the clergy present exploded, and several expressed great relief that the point had been raised. But, they asked, how do we handle this?

How indeed? The question is sharply posed by the reported fate of the vicar who attempted to tackle this very question just before his parish nativity play. Angry parents forced him to apologise for the distress to

their children, who now even doubted the reality of Father Christmas and the Tooth Fairy.

I am not unduly bothered about the Tooth Fairy. Surely it can be openly declared as a family custom that each first tooth, as it is shed, can be exchanged for additional pocket money. This should be according to an agreed tariff, which may be varied for inflation and can be withheld if the state of the family economy no longer permits such welfare payments. Such a realistic approach should help the growing child to come to terms with the prevailing realities of the market economy in the adult world.

Father Christmas may be a different matter. It seems sad to do away with the magic that I saw shining in

the eyes of our second son, whom I had heard stirring when I was creeping to bed on Christmas Eve after leaving the presents. All he said was: "He's come." He then exercised enormous discipline by going to sleep until the permitted hour on Christmas morning. Both he and his brother seemed quite capable of enjoying the magic, growing out of it and then rejoicing in it for the benefit of their younger sisters in due course.

What is wrong with co-operating in children's games that say something about real (although not guaranteed) possibilities of giving and receiving presents which, sometimes, fulfil one's wishes? What is wrong, at a particular season, with focusing on giving, sharing, enjoying and celebrating?

What is wrong with attending to stories of great beauty and power that claim to reveal the possibilities for human being and divine being? All this should be taken not literally but seriously – and with as much hope and celebration as we can honestly offer.

But fairy-tales are out. The world is too tough for them. So are the biblical nativity stories. Fairy-tales whose point is cash for shed (teeth or expensive presents do not have much magic or wonder in them, anyway. Perhaps the troubled vicar should not have apologised but tackled the parents about their dull materialism.

The story of the baby to which Mary gave birth is about the man God chose to become. The angels convey messages from God about possibilities of

peace and hope in the dark world. The three magicians from the East express the searchings of the Gentiles for a common star to follow. The stories also include hopelessness, murder of the innocents and flight into exile. The world of the nativity stories is recognisably real. Their claim is about the presence and activity of God with us, in and through it all.

Compared with this, the Tooth Fairy is nothing. Now that Father Christmas is almost entirely met with in department stores perhaps he, also, is ready to fade out – but not the claim, the faith and the hope that God is with us.

The writer was Bishop of Durham, 1984-94.

tell me one good thing about your bank

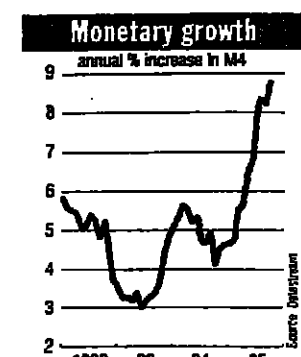
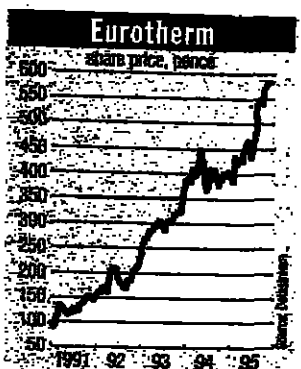
THE WEEK AHEAD

THURSDAY

Monetary growth

FRIDAY

Companies
Finals: Kelsey Industries
AGMs: Ex-Lands
EGMs: Ex-Lands, Robert H. Lowe, World Fluids (Hides)



TOMORROW

Companies
Opinions are divided as to why the Howden engineering group has brought forward its interim results from January. The share price has fallen from 93p to 67p in four months and

[illegible]

BP clinches £2.3bn Algerian deal

PETER RODGERS
Business Editor

BP is close to announcing agreement on a \$3.5bn (£2.3bn) joint venture in Algeria that could eventually produce as much gas as the company now delivers annually from the whole of the North Sea.

The deal has been negotiated with Sonatrach, the Algerian oil and gas company, and the gas produced will be exported to Spain and Portugal through a pipeline running through the Straits of Gibraltar.

Although the BP-Sonatrach gas is not intended for the Northern European market and will not arrive in Spain until 2002 at the earliest, the project underlines the scale of the

continuing surge of new gas supplies into Europe as a whole, which has caused prices to fall.

This general market weakness has brought big difficulties for companies such as British Gas that are locked into high-price supply contracts.

The initial phase of exploration and appraisal will cost \$100m and be entirely funded by BP which is confident that it will be able to exploit the large reserves already known to exist in the area.

The company will fund two-thirds of the eventual \$3.5bn bill for exploiting the gas, including a 520km pipeline costing \$1bn across the desert to join the new line to Spain.

It is understood to have agreed to take about 30 per cent

of the net profits of the development after payment of royalties and taxes, assuming the deal goes ahead.

BP is believed to have investigated the potential security threat from the Islamic fundamentalist unrest in Algeria but this has not deterred the company from backing the project. Oil specialists point out that 98 per cent of violent incidents have been in the far north of the country and the remote location of the gasfields, on flat rocky terrain with 20 miles visibility, should make a high level of security feasible.

BP is thought to have drawn on the experience of oil exploration security regimes in Colombia and Vietnam, where the company also has big op-

erations. It has prepared plans for safeguarding its employees, who will number about half the 50-strong team in the exploration and appraisal phase.

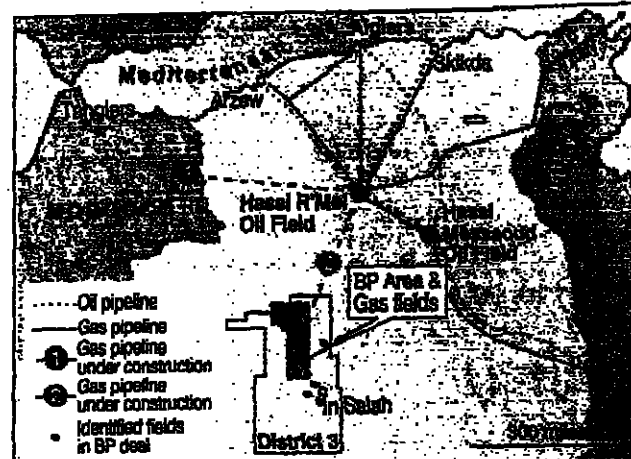
The gas fields are in a region about the size of England called In Salah, after the one small populated area it contains. The BP-Sonatrach licence area of 25,000 square kilometres covers about 20 per cent of In Salah, which is in the depths of the Sahara, one of the hottest places on earth, where temperatures regularly reach 45 degrees.

The area has been known to contain large amounts of gas since the 1950s, with seven gas fields already located. But it is remote and the geology is tricky, so Algeria concentrated on exploiting a huge gas field

further north at Hassi R'Mel, one of the biggest in the world, which was discovered in the 1970s. Gas from that area is exported by pipeline to Italy.

The growth of markets for Algerian gas in Spain, Portugal and Italy led Sonatrach to look to In Salah for new supplies. Algeria has the world's eighth-largest gas reserves and 90 per cent of its exports are oil and gas. Oil specialists believe BP's new technology for producing three-dimensional seismic images of underground rock formations is particularly attractive to Sonatrach because it will allow the developers to overcome some of the technical difficulties of tapping the In Salah fields.

BP's agreement is expected



to allow withdrawal if there is not sufficient gas to merit exploitation. First gas would not be delivered until 2002 or 2003, and will be sold in Europe by a joint marketing company in which BP and Sonatrach will have 50 per cent each.

Kvaerner hits back against Needham

RUSSELL HOTTEN and
MAGNUS GRIMMOND

Kvaerner hit back at the former trade and industry minister Richard Needham after he warned that its takeover of Amec might undermine UK exports growth.

The £360m hostile bid by the Norwegian engineer for the UK contractor closes at 1pm today, with analysts saying the outcome is too close to call.

Kvaerner said the last-minute intervention by the MP, who as a minister worked closely with Amec's chairman, Sir Alan Cockshaw, was surprising and unwelcome.

In a letter to Saturday's *Financial Times* Mr Needham, who recently became a director of GEC, said the UK would be "severely disadvantaged" without companies like Amec to win exports. He was particularly concerned about the impact Amec's loss of independence might have on relationships with countries in the Far East.

An Amec adviser said Mr Needham had simply pointed out that the company was world-class. But with the bid finely balanced, Kvaerner reacted strongly, arguing that Amec's track record in the Far East was not so remarkable.

"Amec's international operations would remain in London after the takeover," said Kvaerner yesterday. "We work closely with many UK companies, including Amec. And Kvaerner has invested £100m in the UK."

The bid was left hanging in the balance at the end of last week as Norwich Union sold its 2.6 per cent stake in Amec, leaving Kvaerner sitting on 26 per cent of its target. Some other big shareholders, including M&G with 8 per cent, lined up behind Amec.

The outcome will depend on small shareholders, holding around 20 per cent of Amec, and on PDM, the fund management offshoot of Union Bank of Switzerland, which holds 14 per cent.

The bid has been marked by more than the usual degree of acrimony. Amec sacked its public relations advisers after they were heavily censured by the Takeover Panel. There has also been criticism of the tactics employed by Kvaerner in pursuing the bid. M&G hit out at the use of a seldom-used rule to cut the bid timetable from 60 days to just 21. Another institution was critical of the dawn raid which netted Kvaerner's original 10 per cent stake in Amec.

Gloves come off in bust-up of holiday traders

JOHN SHEPHERD

A fierce row between Thomson and Thomas Cook, two of the best-known high street names in holidays, may spill over into the courts. Thomson has already disconnected Thomas Cook from its holiday booking system. Without access to the computer network, Thomas Cook has had no choice but to remove Thomson's brochures from the shelves across a network of 385 shops.

All communications between the two companies fell silent a fortnight ago following a disagreement over how much commission Thomson Cook would earn on selling Thomson holidays. The two companies were negotiating new contracts, but Thomas Cook refused a "take-it or leave-it" deadline which Thomson imposed.

Thomson, which sells one in three of the 10 million overseas package holidays taken by the British public, is now considering re-igniting a separate dispute. The wrangle concerns instructions given from within the Thomson Cook empire to shop managers to offer alternative but higher-commission holidays to customers inquiring about certain destinations in Thomson brochures.

"They are in breach of contract terms. They issued a list of Thomson hotels to staff to divert customers to other operators. We are consulting our solicitors about damages," said Paul Brett, chairman of the Thomson Travel Group. Representatives at Thomas

Cook were reluctant to discuss this particular issue, although a spokeswoman admitted: "We have apologised for that. It happened a while ago now." The spokeswoman declined to go into what she called "the nitty gritty" of the dispute. "We don't want to go into details. We really don't want to talk about what they are."

It has been established, however, that the instructions to offer alternative packages to customers trying to book Thomson holidays were stopped once the practice was uncovered. The identity and management position of the person or people responsible for giving the instructions to shop staff is not being revealed by Thomas Cook. No one has been fired as a consequence.

The dispute, even if it does not go to court, will financially hurt Thomas Cook, which has a 13 per cent share of the overseas holiday tours sold in this country. At least one in 10 of Thomas Cook's customers books a Thomson holiday.

Moreover, the industry has been hard hit this year due to its own over-optimistic forecasts about how many people would flock abroad in the summer.

The scars were openly displayed in last week's announcement of annual results from Airtrous, the second-biggest operator. Profits from UK tour operations plunged by £29m to £33.4m. The "give-away" of holidays at below cost was amply highlighted by a crash in the operating profit per passenger from £18 to £9.72.



What every well-dressed woman wants: It's a phone, a fax, a computer - and, of course, an Internet connection. BT director Patricia Vaz unveils the first working prototype of the 'Office on the Arm' which combines a customised Apple Macintosh and a GSM phone. Photograph: Stuart Goldstein

Reuters warns of threat to share-dealing revolution

JOHN EISENHAMMER
Financial Editor

Reuters, the information conglomerate, has warned the Stock Exchange that the continued inability to resolve arguments over new share trading systems could jeopardise the 1996 date for the exchange's order-driven dealing revolution.

Reuters, which would supply a large portion of the links between the dealers and the exchange, said the complicated technology needed a clear decision or there could be no commitment to the August timetable put forward by the Exchange. "We won't commit to a date until we can see what the market really wants," said John

Parcell, managing director of Reuters UK.

The pressure was stepped up as Reuters introduces today a capacity enabling traders to deal in smaller companies shares directly on the London Stock Exchange through an order-matching system.

This enables the Exchange to fight back against its fledgling

rival, Tradepoint, which in September opened the first alternative exchange, using an electronic order-driven system. This automatically and anonymously matches buy and sell orders, cutting out the market-making middlemen who have run the Stock Exchange's traditional quote-driven dealing system.

The Stock Exchange has set 27 August 1996 as the date for introducing a state-of-the-art order-driven capability, which could mean two dealing systems competing for the same stocks. But some of the Exchange's most powerful members, the big market-making firms, are resisting this for fear that it will put them out of business.

Fidelity faces SEC inquiry after shares sell-off

World's largest mutual fund accused of deliberately manipulating the market

Grow to be the master of your patch and before too long the rabble outside - either your competitors or, more likely, the federal government - will start to look for ways to knock you down. In this country, at least, it is as predictable as egg-nog parties at Christmas and the hangovers that come afterwards.

Ask Bill Gates, whose Microsoft Corporation has, in the last 18 months, been the target of a slew of unfair competition investigations by the Justice Department. The presumption is that big must mean bad. Mr Gates is undeterred, of course, announcing only days ago his latest foray: a pair of joint ventures with NBC.

Now it is the turn of Fidelity Investments, the Boston-based mutual fund, or unit trust, com-

pany that is the biggest in the world. Fidelity manages an astonishing \$350bn in assets and by some estimates is responsible for between 5 and 7 per cent of all trading on the New York Stock Exchange.

Suddenly, though, it has become the target of multiple murmurings of unethical practices. Specifically, one of its best-known managers is facing claims that he has offered upbeat public appraisals of certain stocks while at the same time off-loading them from Fidelity's portfolios. According to press reports, the allegations have been loud and persuasive enough to provoke a preliminary investigation by the Securities Exchange Commission.

The focus of the attention is Jeffrey Vinik, the manager of

Fidelity's biggest fund, the Magellan, and comments that he made in early November about Micron Technology. Theoretically, the SEC, which has not publicly confirmed its investigation, could charge Mr Vinik with seeking to use Magellan's clout to manipulate the market to his fund's advantage.

That would be a serious violation of the 1934 Securities Exchange Act and lead to potentially severe disciplinary action against him and Fidelity.

The case against him arises in part from comments he made to *US News & World Report* magazine in which he argued that Micron's valuations were reasonable and the fundamentals still outstanding. This was on 6 November (although the quote was published on 11 December) at a time when Mr Vinik's fund was running away fast from

Micron. According to SEC filings, Magellan had sold 1.6 million shares of Micron in October. While Magellan still had 10.5 million Micron shares on 31 October, by the end of November its holding had dropped back to 1.2 million.

The evidence was compelling enough to persuade a pair of Boston investors who had bought Micron stock to sue Mr Vinik, alleging deliberate manipulation of the market.

"When a company like Fidelity, that has huge market power, chooses to speak about individual stocks that it has invested in, it has an obligation to speak the truth," said their lawyer, Glen de Valerio. "Had my clients known Mr Vinik was selling, they would not have purchased the stock."

Fidelity is going all out to defend Mr Vinik. "Jeff Vinik's in-

terviews reflect his views and opinions at the time of the interview. He is an active manager and his views on any stock can change any time," a spokesperson asserted. "The suggestion that Jeff was manipulating the market was simply not true."

Determining the guilt or otherwise of Mr Vinik is certain to be difficult. It is precisely because of the enormous sway of his fund that Mr Vinik was always going to be in a virtually impossible position when the moment came to start backing out of hi-tech stocks - this year's hot holdings - including out of Micron. Even a "no-comment" would have triggered an instant sell-off as investors detected a waning of enthusiasm for the company.

Still, Mr Vinik's prospects will not be helped by a report in Friday's *Wall Street Journal* that Micron is not the only stock on which his statements may not have tallied with his deeds.

The paper recalled an interview Mr Vinik gave to *Barron's* magazine in September 1994 in which Mr Vinik admitted that he had sold half of Magellan's Goodyear holdings, but added that he intended holding on to the rest. Filings subsequently showed that Magellan had sold off all its Goodyear position by the end of that month.

Barry Barbas, director of the SEC's investment management division, said: "The SEC's interest or concern would certainly be intensified to the extent there were more instances of questionable transactions."

As Fidelity ponders the controversy, two possible morals may occur to it. One, it should never have become so big and powerful and thus opened itself to violent assault, or two - which is probably much more appealing - never allow your managers to give interviews to the press.

David Osborne

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STOCK MARKETS					
Index	Close	Week's chg	Change (%)	1995 High	1995 Low
FTSE 100	3642.80	+12.6	+0.3	3690.40	2954.20
FTSE 250	3959.80	+26.6	+0.7	3961.30	3300.50
FTSE 350	1806.40	+7.5	+0.4	1821.50	831.00
FT Small Cap	1940.04	+1.2	+0.1	1893.11	1678.61
FT All Share	1790.34	+7.0	+0.4	1837.78	1469.23
New York	5176.73	+19.3	+0.4	5216.47	3932.08
Tokyo	19346.55	+59.5	+0.3	19684.04	14485.41
Hong Kong	9658.05	-5.0	-0.1	10032.35	8567.93
Frankfurt	2284.77	+17.3	+0.8	2317.01	1910.96
Paris	1859.25	+2.9	+0.2	2017.27	1721.80
Milan	9315.00	+442.0	+5.0	9911.00	8757.00

Source: FT Information

INTEREST RATES					
UK interest rates			US interest rates		
% yield curve 0-30 years UK			% yield curve 0-30 years US		
9 Months	6.25	7.25	9 Months	6.25	7.25
1 Month	6.25	7.25	1 Month	6.25	7.25
1 Year	6.25	7.25	1 Year	6.25	7.25
2 Year	6.25	7.25	2 Year	6.25	7.25
3 Year	6.25	7.25	3 Year	6.25	7.25
4 Year	6.25	7.25	4 Year	6.25	7.25
5 Year	6.25	7.25	5 Year	6.25	7.25
10 Year	6.25	7.25	10 Year	6.25	7.25
15 Year	6.25	7.25	15 Year	6.25	7.25
20 Year	6.25	7.25	20 Year	6.25	7.25
25 Year	6.25	7.25	25 Year	6.25	7.25
30 Year	6.25	7.25	30 Year	6.25	7.25

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Source: FT Information



KEITH SKEOCH

'If the world continues with its current programme of fiscal consolidation, this will continue to constrain the pace of economic activity'

Dubious monetary benefit from fiscal squeeze

One of the many big surprises for economic forecasters in 1995 was the rapid slowdown in economic activity. Three years into synchronised recovery, the pace of growth across the world is both sluggish and patchy. The outlook for 1996 shows little sign of improvement. This is a confusing picture for economic forecasters and policy-makers alike, for those famous "economic fundamentals" are remarkably benign. The only blackspot in an otherwise helpful background is the high level of budget deficits and the rising tide of public indebtedness. Even here, however, progress is being made as many governments have put in place fiscal consolidation programmes aimed at reducing their budget deficits.

Conventional wisdom and economic theory suggest that the reward for fiscal squeeze is monetary ease and a fall in both short- and long-term interest rates. In the first instance, the monetary ease provides some support for economic activity to help offset the debilitating effects of the fiscal tightening. Later, the monetary ease provides a stimulus as the impact of the fiscal squeeze on activity fades and the economy feels the benefit of a lower structure of interest rates.

While the experience of the last few years confirms that there are up-front costs associated with fiscal consolidation, there is little evidence so far to support the view either that there is a monetary offset or an eventual boost to growth. While some G7 inter-

est rates have fallen, the weighted average is little changed from its average in 1993.

In order to explore further the impact of a fiscal squeeze on the economic outlook we have analysed the monetary impact of a number of periods of successful fiscal consolidation over the last 20 years identified by Alesina and Perrotti in a recent study, 'Fiscal Expansions and Adjustments in OECD Countries' (Economic Policy 21, October 1995). The authors define a successful fiscal consolidation as a very tight fiscal stance in one year such that the gross debt/GDP ratio three years later is at least 5 percentage points of GDP lower than in the first year.

They identify 14 successful episodes spread across the OECD area between 1968 and 1990. Although the examples of successful fiscal consolidation are geographically diverse and spread throughout the period, they should provide a decent test of whether monetary ease follows fiscal squeeze.

Perhaps the most surprising finding is the rise in short-term interest rates following the period of fiscal consolidation. On average, three years after the initial tightening, short-term rates were 1.1 per cent higher, rather than the drop predicted by theory. Only four episodes saw a fall in short-term rates over three years: France in 1969, Denmark and Sweden in 1984 and the UK in 1969. Bond yields show a tendency to fall in the first year as the fiscal consolidation has its initial impact but this effect fades thereafter.

A number of important conclusions follow from this case study, which have direct implications for the economic outlook over the next couple of years.

□ Virtually all successful fiscal consolidations to date have taken place in a period of robust economic growth when the economy is either well established in an expansionary phase or is close to the top of the cycle.

□ Almost all consolidations have been followed by a slowing of economic activity rather than an acceleration.

□ Historical precedent as opposed to economic theory gives little support to the view that the negative impact on economic activity from a successful fiscal consolidation is offset by the resulting impact on monetary policy.

□ Perhaps the most extreme example is the UK in the late 1980s when interest rates moved in the opposite direction to some massive swings in the Budget deficit.

as Europe chases the Maastricht criteria and the US attempts to balance its budget. While the risk of recession is very slight, as the imbalances required to create the conditions for a contraction in spending are simply not in place, a monetary-led acceleration in activity looks distinctly unlikely. Recent cuts in rates are a policy response to slow growth rather than the rewards for successful fiscal consolidation.

If this recovery does proceed at a slower pace than the last two recoveries it will also help to keep inflation in check. Indeed, the slower pace of economic expansion may well help to explain why inflation has remained

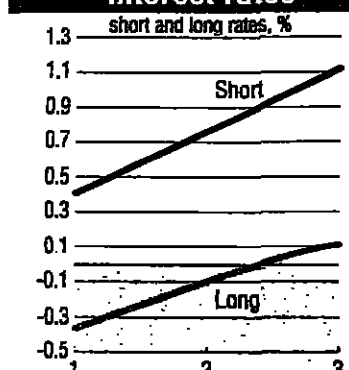
so low and why real wages have been so subdued. This latter factor may well provide a silver lining in an otherwise dull and cloudy outlook, which sees the world economy growing at close to trend for some considerable time. If real wages do remain subdued this will continue to facilitate a rise in the profit share of GDP, which over the very long run will help lift the investment rate and minimise the inflation damage from sustained economic expansion. This upswing is likely to be very long but it may be some time before it becomes very strong.

There are also some interesting conclusions for specific countries. In the US, for example, while the current economic background augurs well for fiscal consolidation and a balanced budget package, medium-term success depends on expansion continuing, while short-run implementation suggests a slowdown. This conundrum suggests that the ability of the US to deliver a balanced budget should be treated with some scepticism.

The message from our study is boldest for France, where the fiscal consolidation package seems doomed to failure on all grounds. The economy is not well established in the upswing and is very insensitive to shifts in interest rates. If the monetary response is not there, then growth will suffer unless, as we suspect, the French abandon franc fort in 1996 and allow the exchange rate to depreciate.

Keith Skeoch is chief economist at James Capel & Co.

Interest rates



The taxman with his sights on a clear picture

Fair but firm: That's the motivation behind the Revenue veteran trying to make sure large companies pay the right amount of tax

A large, approachable man, Richard Jones does not look or sound like a tough regulator. And he is at pains to stress that this is not how he sees himself. Sitting in his office in a corner of a rather scruffy government building largely decorated with his own moody photographic landscapes, he presents the setting up of the Inland Revenue's Large Groups Office - which he has headed since its inception in April 1994 - as more of an administrative move than a crackdown on tax avoidance by big companies.

"I underline all the time that this isn't a blitz," he says. "What we're trying to do is to organise ourselves to make sure they are paying the right amount of tax."

The office focuses on domestic banks and insurance companies and the UK branches of their overseas counterparts, the Stock Exchange, Lloyd's of London and large industrial concerns. The idea is that by concentrating responsibility for these organisations in one place rather than scattering it among various districts as before, businesses are able to forge better - and more efficient - working relationships with the Revenue. Companies see the advantages of being able to channel their concerns through one area, he says.

Nevertheless, while reorganising in this way - as Mr Jones puts it - creates a greater appreciation of the way that business does things, it also leads to a "better awareness of what they are doing." Especially since his department is better able to see the bigger picture through also including two units that were previously under separate control - the special investigations section, responsible for countering corporate tax avoidance, and the national PAYE audit group, which checks on deductions made for employees by big employers. He would, he adds, be "very disappointed if it didn't make us better able to keep up with determined avoiders."

Though the official line is that it is too early to tell how the unit is working, it is estimated to have helped bring in an extra £4bn to the Exchequer last year. The total recovered by the Revenue's compliance unit - of which it forms a part - was £6.1bn - equivalent to 3.5p on the basic rate of income tax. A clearer sign of how it is viewed.

will come if a review, just completed, of Mr Jones's department being extended from the 33 district offices to the 37 outside London.

For the moment, though, the attention of the tax community is largely focused on the £1.6bn "technical adjustment" that formed a significant part of the Large Groups Office's con-

tributing what is the appropriate amount can prove difficult. Indeed, it is dealing with this complexity that lies behind the establishment of the Large Groups Office.

In the past it has not been unknown for 15 different arms of the Revenue to be looking at a single case at one time and to be talking to each other "in a poorly co-ordinated way." The response is the development of co-ordinated casework - known in Revenue parlance as CCW.

THE MONDAY INTERVIEW RICHARD JONES

displaying the fair-mindedness one would expect of a man who has judged many competitions associated with his enthusiasm for photography, he insists that equity is the driving force behind his work.

Getting companies to pay the right amount of tax - "no more, no less" - is the key. The problem is that business's affairs can be so complicated that de-

Under this, the individual district forms a strategy for looking at a case and calls on specialist skills in such areas as pension schemes, profit-related pay and transfer pricing as required. "We're bringing a much clearer business approach into the way we deal with compliance and customer service," says Mr Jones. While pooling of information may help with the detection of avoidance schemes, it can also lead to the detection of "red herrings" and so rule out further investigations.

Efficiency is also another important driver, because of the tight spending controls with which senior managers in both private and public sector have become familiar. Though he will not say how much is available to him, he points out that the establishment of the unit did not lead to any increase in funds and that he must bid for his operating budget next year.

Although he has previously been a regional controller, this 40-year veteran of the Revenue confesses that he did not really know what he was getting into when he first took on a position that puts him just a few rungs below the chairman of the Inland Revenue Board. Like most of the 450 people under him, he is a career tax inspector. Now a grandfather, he joined the organisation at 19 and after passing his exams gained experience in various regional offices.

It is only in the past nine months that he has "got a handle on how best to deal with these matters," he says. After all, it is not as if the Large Groups Office is a lone innovation. It forms part of a fundamental change in the Revenue's culture that Mr Jones characterises as becoming "not more professional, more businesslike."

Pay and File is being introduced as the first step towards a corporate version of the self-assessment system about to start for individual taxpayers. A plan to simplify the tax system was published last week. And there is a generally more commercial attitude abroad. He hopes that the changes help the Revenue meet business's needs, but is probably hindered by

the fact that only a handful of inspectors have direct experience of the companies they are looking into.

While movement between the private and public sectors has been actively encouraged for some time, few tax specialists from accountancy firms or commerce have joined the Revenue. By comparison, the leading firms are full of former

inspectors able to give their new colleagues fresh updates on the methods of operation.

But Mr Jones appears unfazed. Though he feels that pressure to bring in people from outside might increase the number of people with external experience, he currently relies on the closer contacts being forged with business.

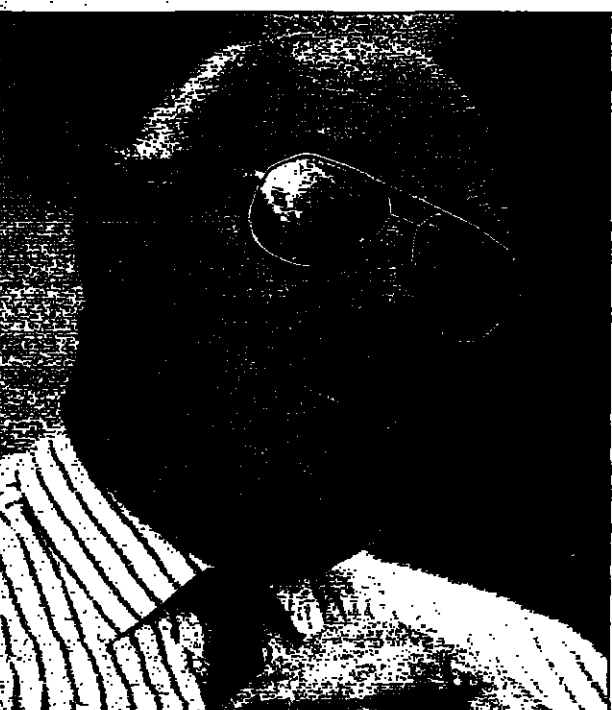
A full-scale survey aimed at

discovering reaction to the new system is being planned for next year. But there have been surprisingly few complaints, he says.

"Companies themselves appreciate it and the professionals like the more co-ordinated approach," he adds, pointing out that they are particularly drawn to the fact that there is a special individual to whom

they can complain: him. In addition, he feels that his own staff enjoy being able to take an overall look at the organisations for which they are responsible. As for himself, he does not have the time that he would like to visit the Devon of his roots - and the pictures that adorn his office walls - but he is convinced that this is "a job that's worth doing."

Roger Trapp



Richard Jones: bringing a business approach to both compliance and customer service Photograph: Edward Webb

THE UNIVERSITY OF NOTTINGHAM

ASSESSING OUR IMPACT ACHIEVEMENTS AT HOME AND ABROAD

Each year the University of Nottingham sets itself clear objectives in a number of different fields. The sum of these individual ambitions add up to a strategic aim. This is to sustain the University's acknowledged position in the leading group of research universities in the United Kingdom while at the same time providing a teaching and learning environment which is second to none.

Nottingham seeks to contribute to scholarship, understanding, invention, innovation and to promote economic partnership with the public and private sectors.

Every year, in December, the University publishes its Annual Report. It allows us to examine the extent to which we have succeeded in achieving our aim, to explain our policies and to demonstrate the lessons we have learnt from experience.

It also provides an opportunity to examine the impact Nottingham has had nationally, internationally and, just around the corner, in our own local community.

REGIONALLY, the University's impact is diverse; it injected some £200 million into the local economy in 1994-95, is one of the largest employers in Nottingham, and the staff of its Medical Faculty provide much of the consultant medical care in the City.

Its new £5 million Arts Centre attracted greatly increased audiences for visual and performing arts and more than 12,000 people participated in its Adult Education courses.

NATIONALLY, research awards rose by a remarkable 22% to a new high of £40 million. Independent statistics showed Nottingham to be the most sought-after UK university in terms of student applications - 17 - for each available place. In the teaching quality assessment exercise Nottingham returned one of the highest proportions of departments earning top grades.

INTERNATIONALLY, Nottingham made great progress towards bringing to fruition exciting development schemes in Thailand and Malaysia, in co-operation with home governments and the private sector.

In the fields of research and teaching, in economic, social and cultural life, we believe our staff and students made great progress in 1994-95.

If you would like to read about our activities in more detail, ask for a copy of the Annual Report. It is available from the Public Affairs and Information Office. Telephone: 0115 951 5765 Fax: 0115 951 5733 Electronic mail: Signy.Johnson@nottingham.ac.uk



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IN BRIEF

NatWest close to US sell-off

NatWest Group is this week expected to complete the sale of its US retail banking arm, Bancorp, for about £220-plus. Fleet Financial, the New England bank, Bank of New York, and First Fidelity are among the likely buyers. NatWest is ending its position as a small retail player in the US, switching the resources instead into building up its investment banking activities in New York.

First 'wise woman' tipped for panel

An announcement of Kenneth Clarke's new panel of "wise men" may be brought forward to this week, with Kate Barker, the CBI's economist, strongly tipped to become a "wise woman". Others on the shortlist include Bridget Rosewell of Business Strategies, and Penelope Rowland of National Economic Research. The panel was due to be announced in January, but the Treasury said yesterday it may now be this week.

£4bn fees for C&L

Coopers & Lybrand International fee income for the year to September rose 13 per cent to \$6.2bn (£4.1bn). The biggest rise was in human resources work, up 22 per cent. Audit work grew 10 per cent, and management consultancy rose 15 per cent.

Manufacturing pay standstill

Manufacturing pay awards averaged 3.6 per cent in the three months to end-October. This compares with 3.5 per cent for the quarter to end-September, and 3.2 for the three months to October 1994. The figures were backed up by Income Data Services, whose report out today says general pay rises are up by between 3.5 and 4 per cent.

Wall Street looks for cut in fed funds rate

PAUL WALLACE
Economics Editor

Wall Street is betting on a cut in US interest rates as early as tomorrow, when the key open market committee of the Federal Reserve meets. A cut of a quarter point is expected in the federal funds rate, bringing it down to 5.5 per cent.

Donald Straszheim, chief economist at Merrill Lynch, is predicting that this cut will be followed by two further reductions, taking the fed funds rate down to 5 per cent by spring next year. A cut of over a quarter point is currently priced into the market for three-month Treasuries.

Fears that the economy is weakening are thought likely to prompt the Fed to act. The most recent economic figures have pointed to a slowing economy and an absence of any inflationary threat.

Ten days ago, the employment report, a key barometer of the state of the economy, showed only modest growth in

non-farm payrolls. The monthly increase over October and November of about 100,000 was under half the growth shown last year when the economy was expanding fast. A further sign of increasing slack in the economy was a fall in the average weekly hours worked - a good proxy for GDP growth.

There has also been a sharp decline in the sales of new homes, which had helped bolster the economy following the decline in mortgage rates over the summer. In October, they fell to their lowest level since May.

Industrial production has been flat since August, bringing the annual rate of increase down to under 2 per cent compared with over 6 per cent at the beginning of the year. Retail sales, too, have been subdued.

The inflationary background should present few problems to the US central bank. Although wholesale prices jumped unexpectedly in November, pressures further down the pipeline have eased sharply.

Cautious shoppers seek value for money

"We put it down to the fact that the tourist trade now lasts 12 months a year," said Ms Collinson. "The pound is fair-

But the toughest war continues to be waged between the computer games giants Sony



Photograph: Philip Meech

Sega officials, however, are not ready to surrender. They claim that they will sell 80,000 to 85,000 units and remain sceptical about Sony's predic-

Playstations in places like the trendy Ministry of Sound nightclub, south London, and the Pleasure Beach, Blackpool. Sega, which is spending £5m,

pers to date - an increase of 23 per cent on last year. It has even shifted 150 of the Supreme hampers, which at £1,000 include a magnum of vintage champagne, Beluga caviar,

This year, Michael Jackson seems to have fought off the Beatles' new single "Free As A Bird" to keep the top slot this week with "Earth Song".

Their record company, London Records, claim that with 270,000 singles pre-ordered the group may well overtake the mighty Jackson.



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COLIN J. SMITH

The following is a list of the names of the persons who have been appointed to the various positions in the various departments of the Government of the State of New York, for the year 1900:

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- 1 Dogs (The French feared, with short Iberian coat) (8)
- 2 Cards (clubs) Monsieur sacrificed (4)
- 3 Robert Burns's opening in a poem (6)
- 4 Suppressed – then reinstated (8)
- 5 These beggars are quite in order (10)
- 6 Car gathers energy (6)
- 8 Brooded over anger in lampoon (6)
- 13 Charge mums wrongly (about pounds) for cakes (5.5)
- 16 Twisted, making turn in vehicle (8)
- 18 Suffering? It's catching! (8)
- 19 They were angry about eating, then were angry (6)
- 21 Study anew before entering right plagues (6)
- 22 Jack paces rough quartz (6)
- 24 Board's to act, introducing commercial (4)

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and printed at Mirror Colour Print, St Albans Road, Watford
Monday 18 December 1996 Registered as a newspaper with the Post Office

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IN BRIEF

section ONE